T's Shopping ree PG 64

Ford Global CEO on India & Small Car PG 54

Zee: Reality Bites PG 60

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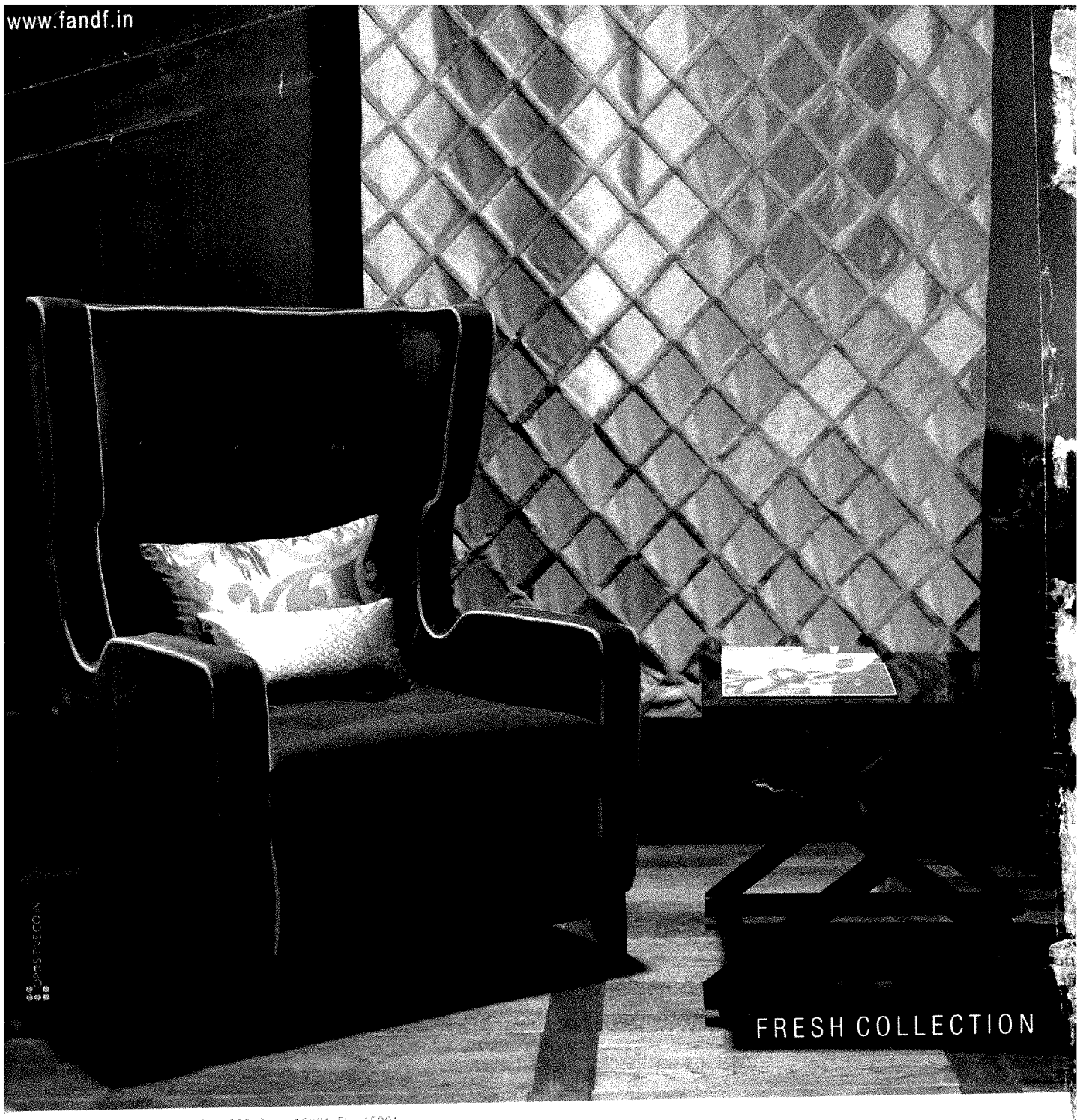
Google's 4th Ace

dia-born Nikesh Arora has vaulted to the 4th position Google Inc. His account of what it means to be a Googler, d how the Internet–with Google in the forefront–is turning nventional business models on their head PG 26



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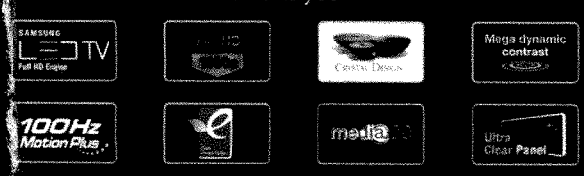

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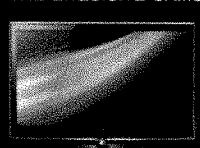

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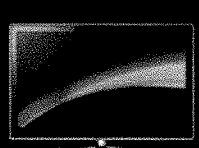

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From the Editor

How do you make profits—real fat profits—by selling your products free? How do you make your product popular—that too a rage—without advertising it? Ask any businessman these questions and he is likely to be at a loss for answers. Yet Google, one of US's most valuable companies, has thrived by adhering to these unconventional tenets. Without charging a penny for its products, the company's profits are $4.3 billion, revenues $22 billion and market value $138 billion. As for popularity, Google is synonymous with the Internet for most of its users. All this for a company that's no more than 10 years old.

Yet, it is not the speed of its growth but its approach to business that truly turns conventional business models on their head. A company that isn't obsessed with pricing and promotion is able to focus single-mindedly only on one thing: its product. By making its products and services mega hits with consumers, the company is able to reap profits—without chasing them. This approach is quite similar to the Indian philosophy of giving precedence to wisdom (*Saraswati*) over wealth (*Laxmi*) because "fortune flies on the wings of knowledge". Translated into Googleo-sophy it would mean profits and popularity ride on the back of a great product. There is an equally compelling story of how Google collects its ad revenues, which comes close to Kautilya's prescription for a good taxation system: Google collects money the way a honeybee collects nectar from the flower—most taxpayers (Google's customers, in this case) don't feel the pinch and government (Google, in this case) gets rich. Though Google isn't the only example of this, it is perhaps the best and the most fascinating.

And there is no better person to explain the Google phenomenon than Nikesh Arora. Born and educated in India, Arora has recently been made a President of Google Inc.—joining founders Larry Page and Sergey Brin, who are the firm's other two Presidents. Arora is equally at ease with engineering, marketing and finance, has worked in Asia, the US and Europe and is truly Google-ised. Turn to page 26 for his fascinating account.

From Google to a company that seems to be its polar opposite—Ford. Yet its CEO Alan Mulally is up to some equally daring initiatives—for instance, proposing to make a car for the whole world, just like Boeing (his ex-employer) makes one plane for the globe. On page 54, Mulally tells *BT* how his company is in a much better shape than its other two Motown rivals, GM and Chrysler, and why he thinks India is at the centre of the next big thing for the global auto industry—the small car. The Indian Premier League may have had to go to South Africa this year, but it's spawning a business that's taking roots in small and remote districts of India. Turn to page 102 to know more.

Rohit Saran

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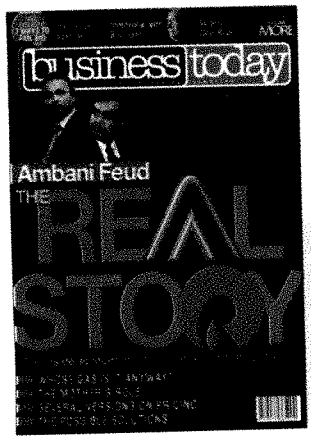

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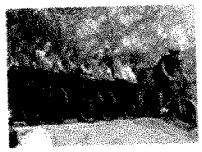

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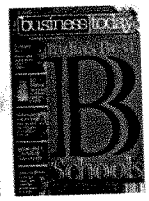

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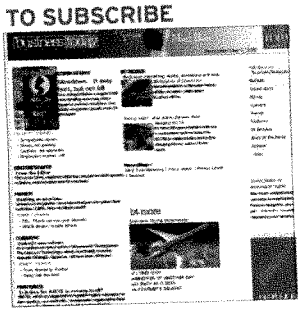

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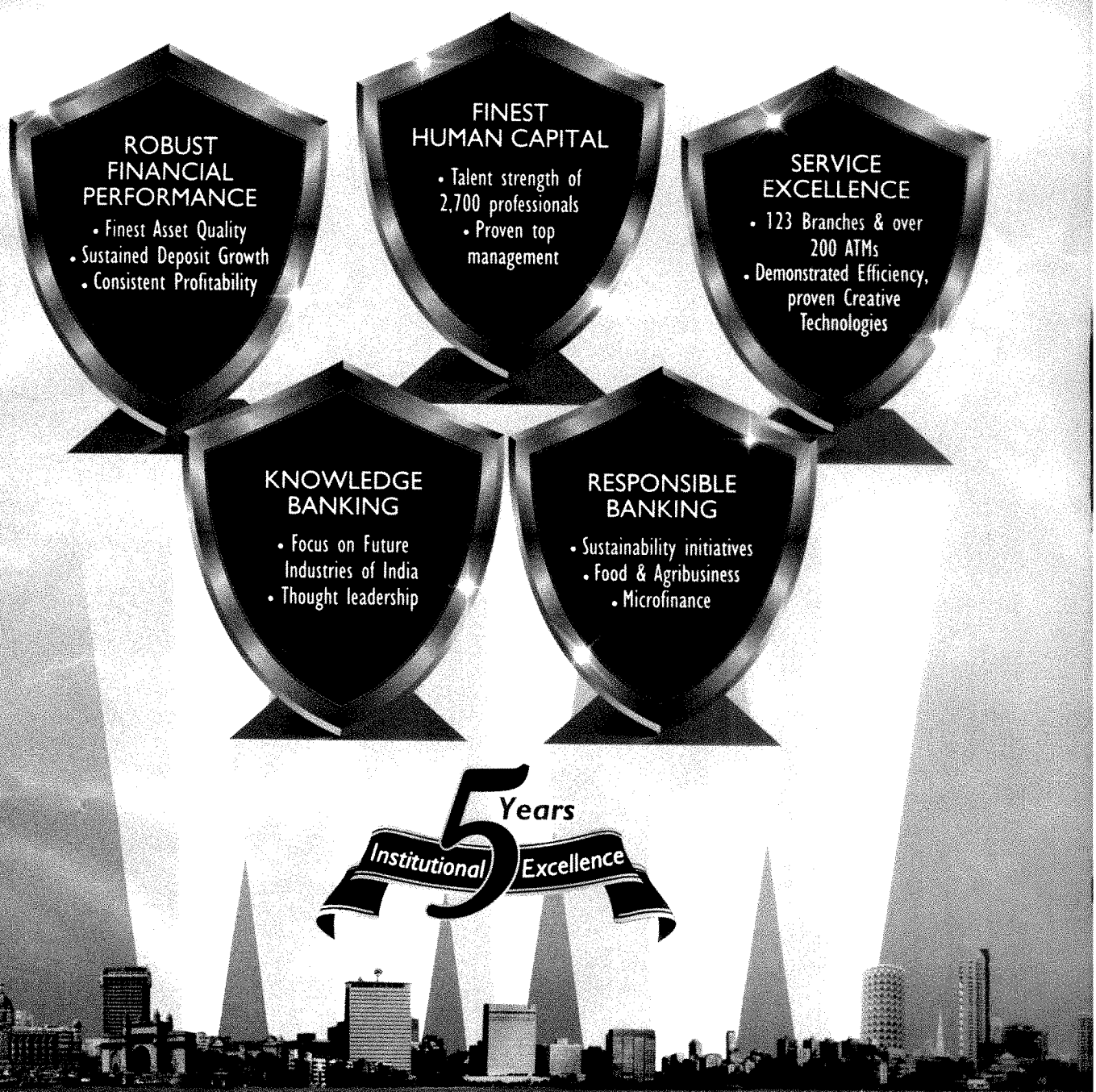

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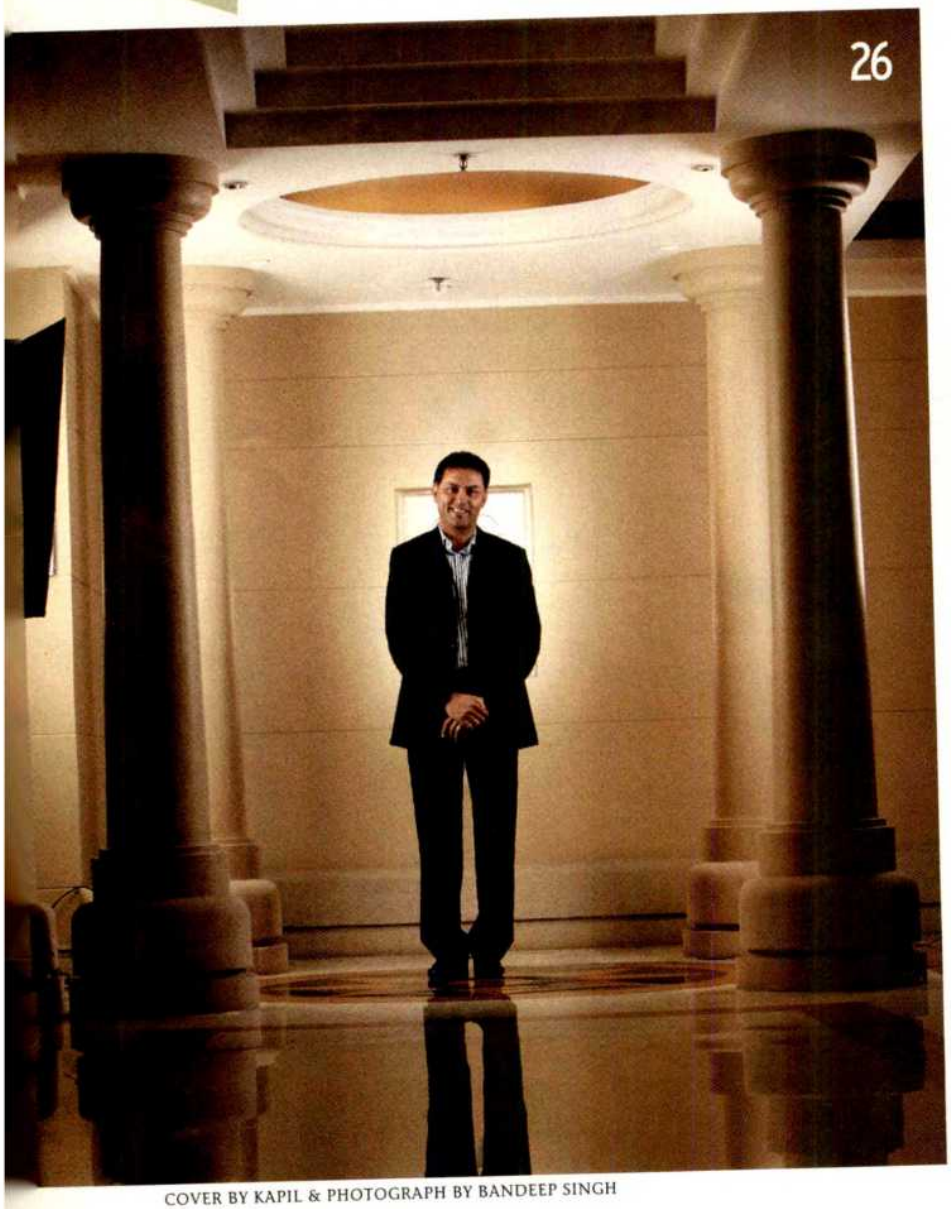

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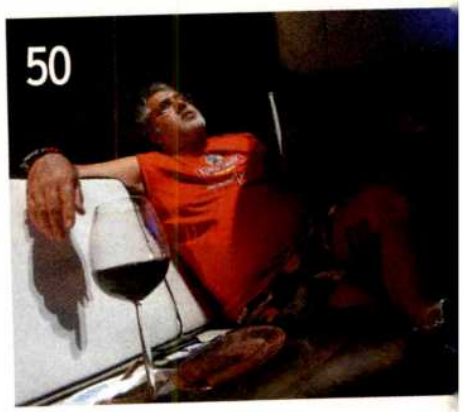

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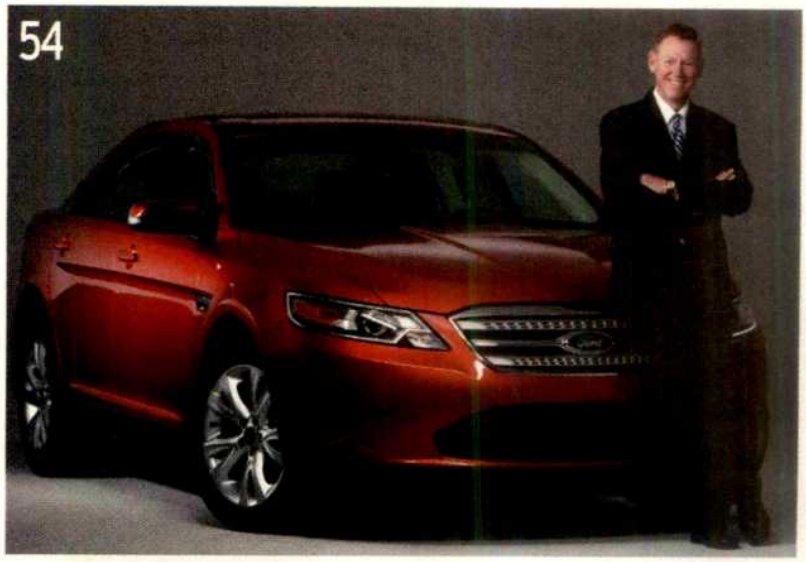

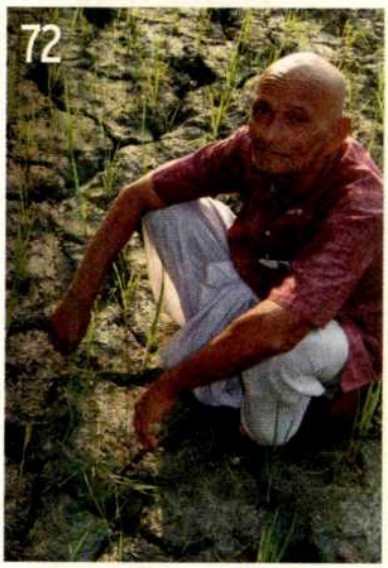

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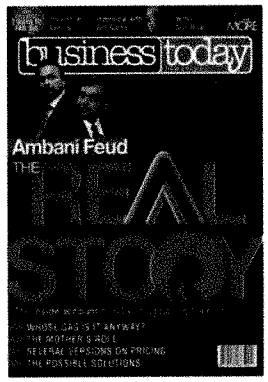
When Greed Is God

Your cover story (*Ambani Feud: The Real Story*, August 23) reminds me of the memorable words "greed is good" in the movie *Wall Street*. But even this pales in front of the Ambani brothers' feud, which would have one believe that greed is the only God businessmen worship. **Manu Kumar Lal**, *Gurgaon*

Brothers in Arms



Given the embarrassment of their riches, it's a shame that the two Ambani brothers cannot desist from taking continuous pot shots at each other's businesses. One wonders whether their much-publicised public spats are due to their vaulting ambitions, their oversized egos, business rivalry or based on plain greed and jealousy? As top industrialists whose companies hold the trust of millions of shareholders, the two brothers should realise that their frequent ego clashes hurt thousands of their shareholders and could eventually erode the high public esteem they are held in.

Gautam Chadha, *Delhi*

The Fight Over Gas

Family disputes among corporate houses are not new. But too much is at stake now for the government to stay silent in the recent dispute between the Ambani brothers. Their latest spat could obstruct the efforts of the government to best harness India's natural gas reserves and help tide over the country's energy crunch.

Swarup Bundela, *New Delhi*

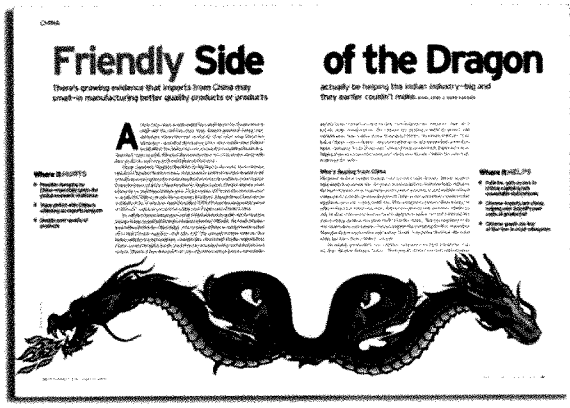
Correction

In *Short-lived Retirement* (PPP, BT, August 9), it was erroneously stated that e4e CTO Sridhar Mitta had quit the company, when, in fact, he is still with e4e. The error is regretted.

Doing More for SMEs

Many many thanks to *Business Today* for coming out with a special feature on the Indian SME sector (*The Small and the Beautiful*, BT, August 9). All too often, in our preoccupation with big brands and businesses, we tend to ignore the contribution of the micro, small and medium enterprises even though they account for almost 90 per cent of industrial units in India and contribute 35 per cent to our merchandise exports. It's rather unfortunate that the sector finds itself at a disadvantage in gaining access to finance and capital, which could help it turn more competitive and vibrant.

Ankit Shah


Friendly Side of the Dragon

Countering the Chinese Dragon

Friendly Side of the Dragon (BT, August 9) has the right message: If bilateral trade with China has to flourish, clearly, the Indian exports basket has to diversify. India can measure up to the Chinese exports challenge by becoming a manufacturing powerhouse itself. It's time to start thinking beyond the IT and services sector and tailor our industrial policies towards promoting the manufacturing sector. **R. Govardhan**, *Bangalore*

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Focus

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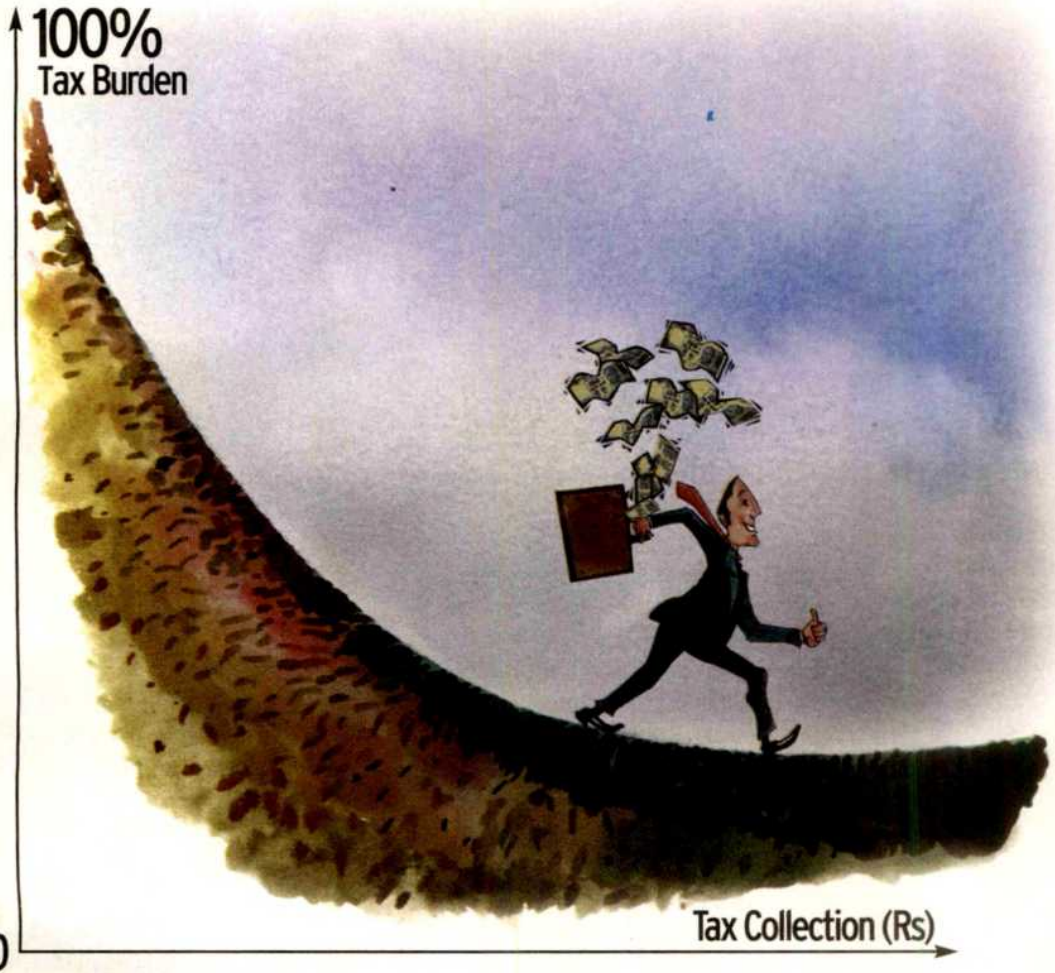


RAMEN SARKAR

Thank You, Mr Laffer

The new tax code proves the government is now convinced that the only way it can earn more is by taking less from people. PUJA MEHRA

The finance ministers of the late 1960s and early 1970s must be turning in their grave. It was then that India had a peak income tax rate of 97.5%—beyond a level, for every 100 rupee you earned government took away Rs 97.5 as income tax. Perhaps American economist Arthur Laffer, who studied the inverse relationship between tax rates and tax collections, wasn't even known as an economist then. But Finance Minister Pranab Mukherjee's proposed new tax code proves that he is far more convinced with Laffer than predecessors from his own party. Since 1992-93, India has progressively reduced the burden of taxes—through a mix of reduced rates, restructured slabs and higher thresholds below which incomes remain tax-free. In doing so, successive finance ministers have faced severe criticism.

SAVING FOR GAMBLING?

Americans love to gamble. In 2007, the latest year for which final numbers are available. US residents spent $92.3 billion on legalised gambling, according to Christiansen Capital Advisors. In the same year, they saved a mere $57.4 billion, the U.S. Bureau of Economic Analysis (BEA) notes. Things, however, might be changing thanks to the slowdown. The BEA says personal savings has risen to a 6.9% annual rate for 2008-2009, up from 2006-07, when households were spending 99.6 cent of every dollar they earned.

Finance Minister in the first UPA government and current Union Home Minister P. Chidambaram gave away the boldest rate cuts in the 1997 Budget, but was widely condemned for "serving the interests of the rich" by his own party men. The easing incidence, however, lifted the overall tax compliance as tax evaders who used to find rates prohibitive began to pay up.

Today, income tax collections are up from Rs 16,656 crore in 1991-92 to Rs 1,22,600 crore in 2008-09 (estimate), though not all of the seven-fold surge has come from improved compliance. High economic growth and the slow-yet-steady rise in cost of evasion have helped the taxman, too. The personal income tax-GDP ratio itself has nearly trebled to 2.6 per cent since 1991-92. It is this trade-off between tax revenues and tax rates that economists call the Laffer Curve.

Laffer explains the basic idea behind the relationship between tax rates and tax revenues by arguing that changes in tax rates have two effects on revenues: the arithmetic effect and the economic effect. The arithmetic effect simply means if tax rates are lowered, tax revenues will diminish. The reverse is true for an increase in tax rates.

The economic effect, however, recognises the positive impact that lower tax rates have on work, output, and employment—and thereby the tax base—by providing incentives to increase these activities. Raising tax rates has the opposite economic effect by penalising participation in the taxed activities. The arithmetic effect always works in the opposite direction from the economic effect. Therefore, when the economic and the arithmetic effects of tax-rate changes are combined, the consequences of the change in tax rates on total tax revenues are no longer quite so obvious.

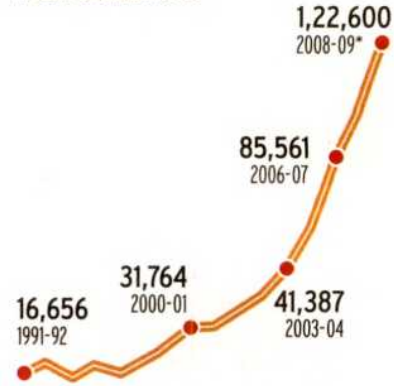
Between 1979 and 2002, more than 40 other countries, including the UK, Belgium, Denmark, Finland, France, Germany, Norway, and Sweden, cut their top rates of personal income tax successfully. Finance Minister Pranab Mukherjee's endorsement of the Laffer Curve principle is even more gladdening since he also held the portfolio in the 1980s in the Indira Gandhi Cabinet, presiding over perhaps the most regressive tax regime.

A WIN-WIN

As tax burden falls...

- The threshold above which income is taxable has increased from Rs 22,000 in 1991-92 to Rs 1,60,000 in 2009-10
- Restructuring of income slabs has lowered total tax outgo per taxpayer
- The maximum marginal rate has dropped from 56% to 30%

... tax revenue rises



*Estimate; figures, in Rs crore, are personal income tax collections. Source: Economic Survey

RAMEN SARKAR

JARGONBUSTER

Growth Momentum

It sounds grand and is often used by business leaders and politicians to paint a rosy picture, but what does "growth momentum" really mean?

CURIOUS CASE OF BRITISH 'BALTI'

So you thought patent wars were only fought over pharmaceutical products? After the Americans unsuccessfully tried to patent Basmati rice as their own discovery, it's the turn of the British to claim parenthood for two sub-continental dishes–Chicken Tikka Masala and Balti Dishes.

Dish Story: Recently an MP from the UK sought European Union protection in the form of a protected designation of origin for Chicken Tikka Masala, which, he claims, is a "Glasgow Recipe", created in the city's Shish Mahal restaurant in the 1970s. In a separate case, the Birmingham City Council is seeking protection (by applying for a Geographical Indication) for 'Balti' dishes.

In the former case, the restaurant owner Ahmed Aslam Ali claims he "invented" the dish. Ali says chicken tikka in its original form is a dry preparation whereas he made it in a gravy base! The Birmingham City Council may have a stronger case since the use of 'Balti' for food items may have originated here. Birmingham is also known as the Balti Triangle.

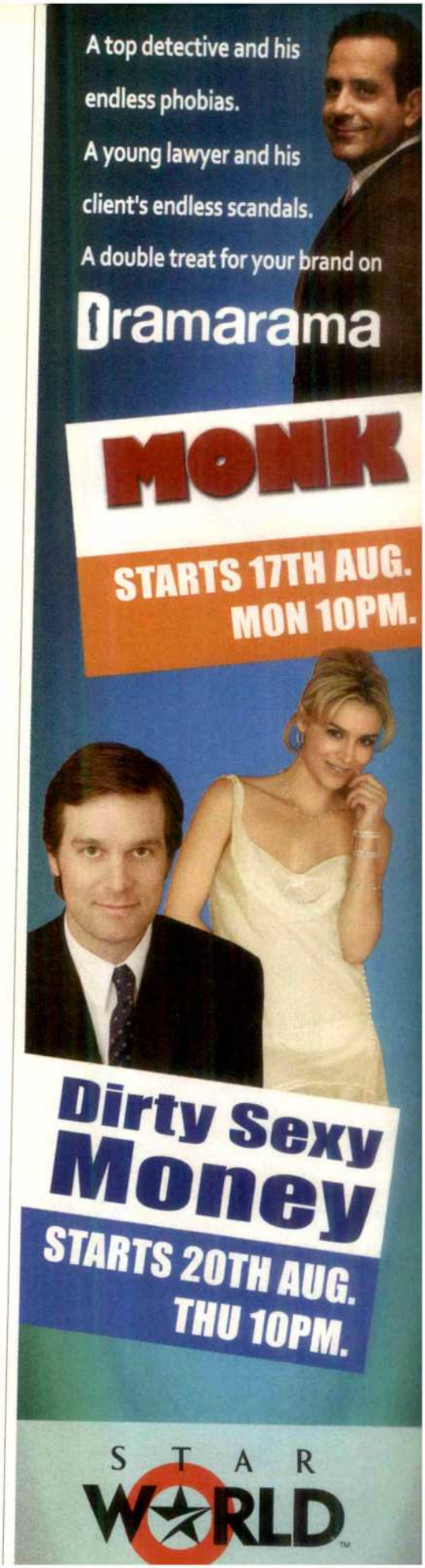
Curry Cause: This brings us to the central issue: can anyone seek legal protection for a recipe? According to experts, while there may be case to seek a "process patent protection" for a new method of cooking, but trying to pin down a recipe to a city is far-fetched. "It may lead to a situation when the owner of such a protection (for Chicken Tikka Masala or Balti Dishes) can prevent others from cooking or serving the dishes. Imagine someone claiming protection for French-fries, just because they are made in a certain way in a certain country," says Latha R. Nair, Partner, K&S Partners.

SHAMNI PANDE

The definition: The Barron's Business Dictionary says it means: Rate of acceleration of an economic, price, or volume movement. An economy with strong growth that is likely to continue is said to have a lot of momentum.

How it is used: "On the way forward, the RBI will have to reverse the expansionary measures to anchor inflation expectation and subdue inflationary pressures while preserving the growth momentum."

What can be used instead: Keep it simple. "While continuing to grow at a fast pace," is easier to understand and only "costs" three extra words.



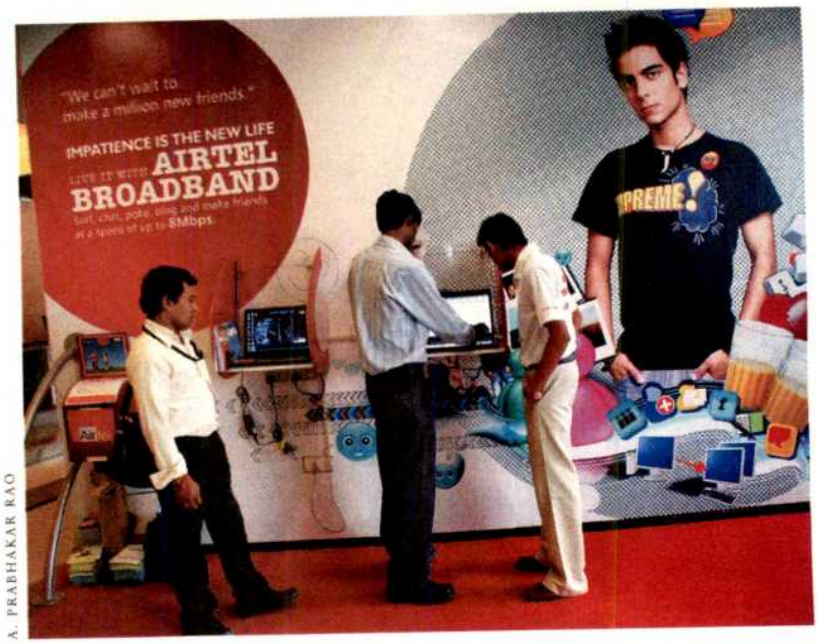
A FUND FOR NEW ENTERPRISE

Called the India Innovation Fund (IIF), this joint initiative between the IKP Knowledge Park in Hyderabad and NASSCOM, is a unique early-stage fund that will become operative in September. It aims to build IP-based companies in Information and communication Technologies (ICT) and Life Sciences sectors. Structured as a SEBI-approved domestic VC Fund, it is raising a corpus of Rs 100 crore. Says Deepanwita Chattopadhyay, MD and CEO of IKP: "The fund aims to make up for the shortage of capital supply from early stage VCs and Angel investors."

TYPE OF COMPANIES IT WILL FUND:
Medical technology, life sciences, communication.

SIZE OF COMPANIES:
Investment could be Rs 2-4 crore per venture (not more than 10 to 15 per cent of the fund size).

DIFFERENCE FROM A VC OR ANGEL:
It's an early stage fund that bets big on people and ideas without a proof of concept.



A. PRABHAKAR RAO

Branded Mall

India gets its first single-brand cineplex

On 15th July, Airtel logos emerged on a relatively new mall on the tony Banjara Hills Road of Hyderabad. The mall, which has been up and running since January this year, and is owned by a well-known Tollywood director and producer (K. Raghavendra Rao), houses Cinemax with a few restaurants. In undergoing a name change—from RK Cineplex to Airtel RK Cineplex—it gave shape to what is the country's first branded mall. Evidently, this is a smart deal at a time when most malls are on the back foot.

Asked to explain how it works, Airtel officials, wary about sharing numbers, merely said this is the "first-of-its-kind single-brand Cineplex in India, a one-stop shop for Airtel customers, and an example of innovative marketing where the entire building will be branded with Airtel." The tie-up between Airtel and RK Cineplex gives the telco right to brand the common areas in the Cineplex.

"We go where there are footfalls. A mall was a natural choice," says Manoj Kohli, CEO & Joint Managing Director, Bharti Airtel. "We have been doing branding in trains and buses also." Adds Kohli: "We do this from time to time to reach as many people as possible. We are a mass brand and these projects are undertaken to ensure the common people can relate to them."

E.KUMAR SHARMA

- This is India's first single-brand Cineplex
- Airtel gets the right to brand the common areas in the mall.
- It's a one-stop shop for Airtel products (digital, broadband & mobile).
- Deal and payments are based on location, footfalls and cost.

QUICK Q&A

RACHIT GOSWAMI

"We Have Been Advising Clients to Buy Indian Stocks"

Sakthi Siva, *Managing Director and Head of Asia-Pacific and Emerging Markets Strategy at Credit Suisse, is brimming with optimism about the Asian region. She tells* **Rachna M. Koppikar** *why she is bullish on Asia and India. Excerpts:*

Why doesn't India figure much in your Asia Strategy Report of July 29, where you mention Asia to be in a "sweet spot"?

We have third-biggest overweight position in India after Indonesia and Korea. In India, our largest overweight were in technology and material stocks. As these stocks have run up quite a bit, the report talks about laggards in the Asian region like the banks in China, which have been underperforming.

Having said that we have been advising our clients to buy Indian stocks on dips as we expect a 10-15 per cent correction due to the fresh equity issuances.

Does the recent run-up in Indian stocks worry you?

The best earnings upgrade has been in autos, technology and materials. But the upgrade to earnings is about 0.3 per cent, whereas in APAC (Asia-Pacific) region the upgrade is about 5.50 per cent. But India remains attractive from the valuation perspective. According to our price to book and ROE (Return on equity) model, if we bought cheapest sectors in cheapest markets, on a 6-12 months view we outperformed 85 per cent of the times. Based on this model, the cheapest markets are Thailand, Indonesia, the Philippines and India. India is more about valuation today.

How convinced are you about the long-term story of India? Who are the main competitors?

Investors look at domestic demand stories like China, Indonesia and India in a similar way. All three economies are domestic demand-driven and were the only countries to register a positive GDP growth in 2008. The other similarity is the ratio of exports to GDP which is very low. That's why India faces serious competition from these two countries.

Full interview on www.businesstoday.in

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Q Will the RBI-stipulated additional security code for your credit and debit card make it fraud-proof?

Results of *BT* Online poll: No. of respondents: 372

In a nascent e-commerce market like India, third factor authentication will help provide a solid foundation which will increase consumer confidence. Greater adoption of credit card payments for online transactions is a likely outcome.

Kashyap Vadapalli
Director (Marketing & Business Development), eBay India

Over the past few years, we have seen customers becoming skeptical about e-commerce due to the perceived risk. This move will allay such fears to an extent. There could be initial hiccups, however, as customers register themselves with their banks.

Dhruv Shringi
CEO & Cofounder, Yatra.com

Next poll question for you: Will you prefer to forego tax exemptions if it means lower tax rates?
Log on to www.businesstoday.in to cast your vote

Compiled by Manu Kaushik

QUICK Q&A

NISHIKANT GAMRE

"Cross-border Money Launderers Can Now Be Tackled"

Neeta Potnis, *Partner, Deloitte Haskins and Sells, heads the firm's anti-fraud and forensic practice in India. She spoke to* **Dhiman Chattopadhyay** *on how the new amendment to the Prevention of Money Laundering (Amendment) Act will help rein in offenders. Excerpts:*

What are the key changes that the amendment will bring about?

The Prevention of Money Laundering (Amendment) Act (PMLA) 2009, which became effective from June, ensures that financial intermediaries such as Western Union & International Payment gateways, including VISA and MasterCard, have been brought under the ambit of the Act. Casinos, too, have been brought under the reporting regime of the enforcement authorities. This will mean greater monitoring of sectors where fake currencies are rampant.

Dealing with cross-border fake currency operations has been a problem area.

The amendment has taken this factor into account and offences of cross-border implications have been brought under the Act's ambit. This will enable authorities to investigate cases wherein the offences have been committed outside India for which proceeds are remitted to India or for offences committed in India where proceeds are transferred outside India.

Have enforcement agencies been sufficiently empowered to take action against offenders?

Yes. Earlier, the PMLA required a final report by the police on completion of investigation for the Enforcement Directorate to begin a search operation. Now the ED can search the premises of an offending party immediately after the police have filed a preliminary enquiry report.

A Nation of Digital NATIVES

Young Indians are 'digital natives'—extremely technology savvy and increasingly optimistic about India's economic future—a recent survey of 14,000 Indian school-children by Tata Consultancy Services (TCS) has found. "One out of 10 people on the planet is under 25 years old and living in India. That is the significance of India's next generation and what they think and aspire to do hold insights for all those who aim to engage with this Web 2.0 Generation," says S. Ramadorai, CEO and MD, TCS. The study, the largest of its kind till date, confirms that students are shifting their academic and social life online.

ANUSHA SUBRAMANIAN

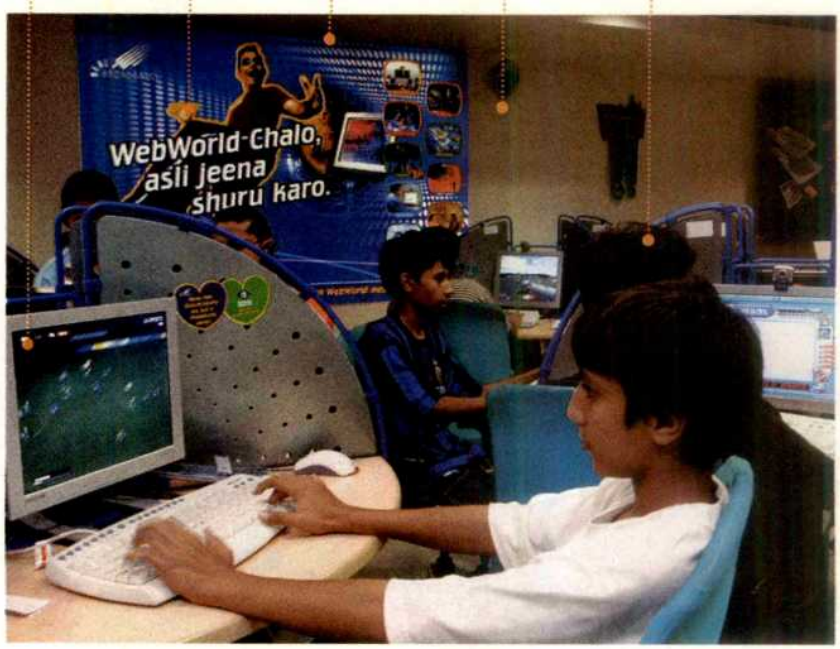
63% of city high-school students spend an hour online daily

93% youth are aware of social networking

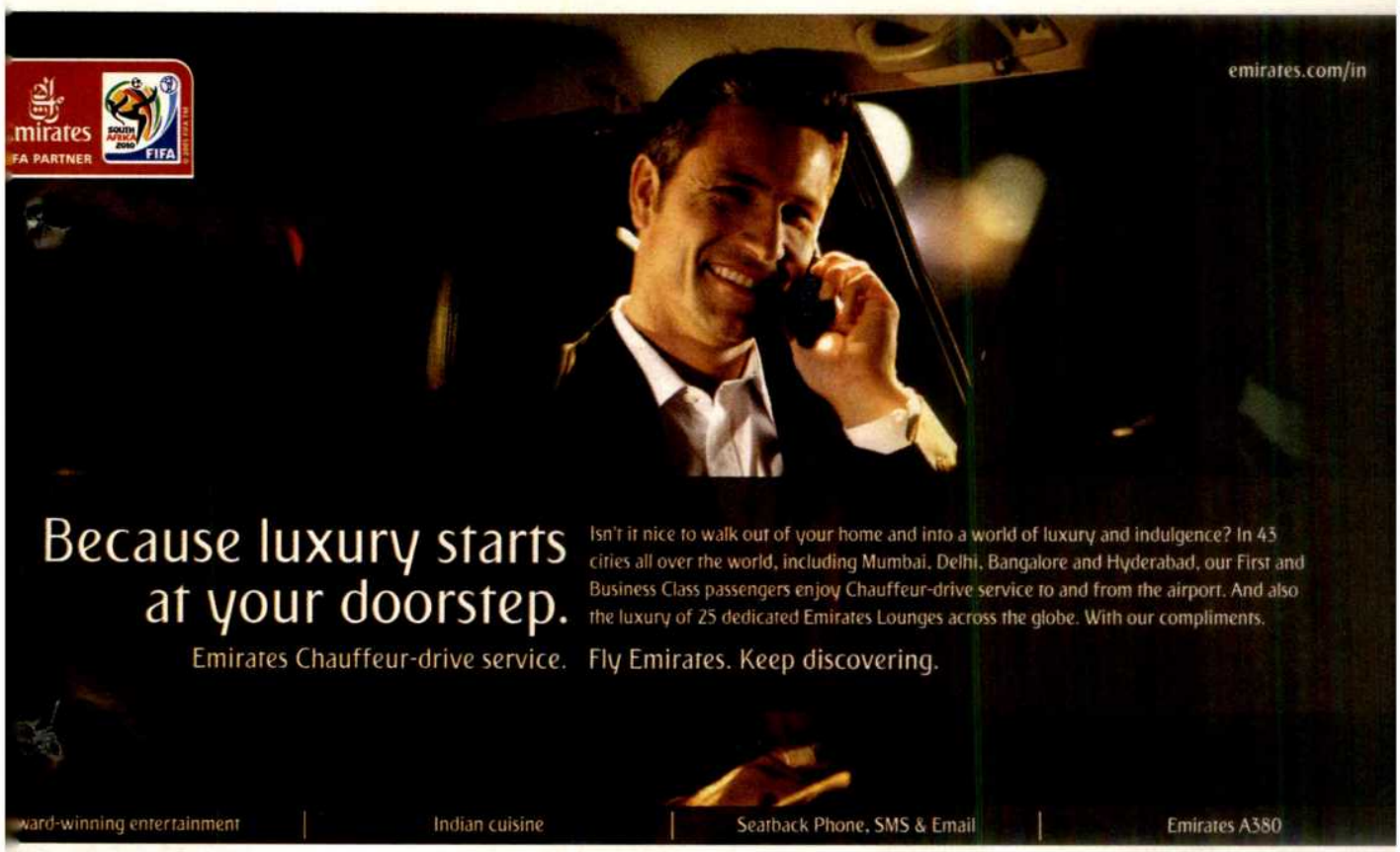
46% use online sources to access news; TV, newspaper users at 25%

62% have a personal computer at home

1 in 4 students owns a laptop in metros



VIVAN MEHRA



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"Are you going to face the anger of the people or are you going to leave Bengal to poverty?"

MONEY SHARMA

Amartya Sen, *Nobel Laureate, commenting on land acquisition and industrialisation, in an interview to* ET Now

"Collaboration is the way forward in retail"

Kishore Biyani, *MD, Future Group, in* The Economic Times

"Political directions have been sent by world leaders to conclude the round in 2010. What we need to see now is that political impetus being translated into action at the negotiating table"

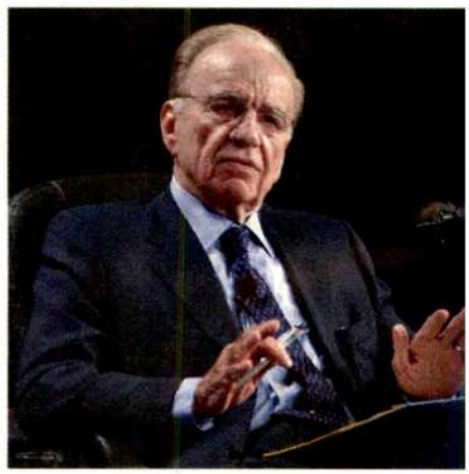
Pascal Lamy, *Director General, WTO, in* Business Standard

"The prices of PDS kerosene and domestic LPG in India are the lowest (in South Asia)... petrol and diesel prices are comparable to the neighbouring countries"

Murli Deora,
Minister of Petroleum & Natural Gas, in Business Standard

"Quality journalism is not cheap and an industry that gives away its content is cannibalizing its ability to produce good reporting"

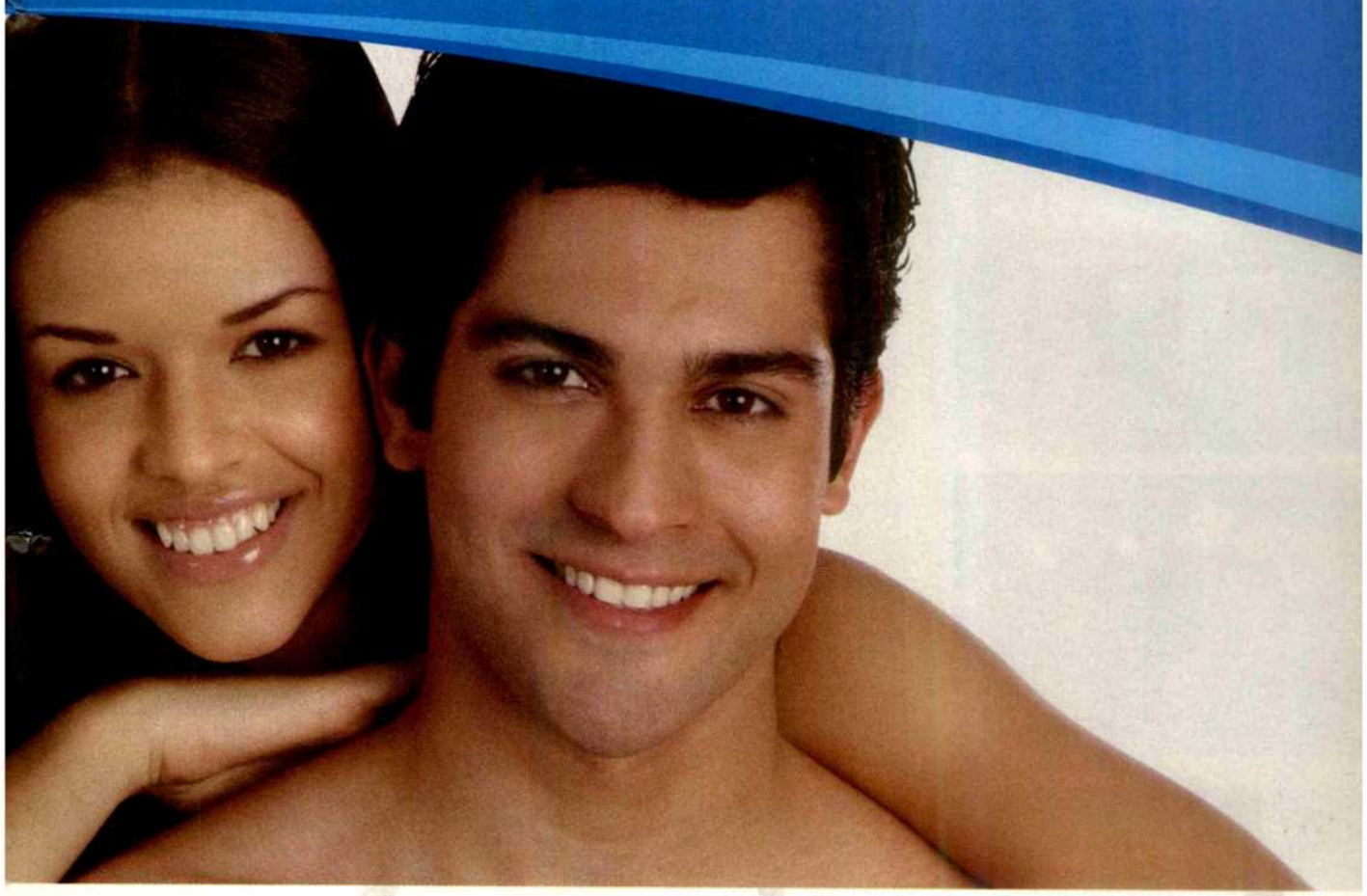
Rupert Murdoch, *Chairman & CEO, News Corp, quoted in* The New York Times



"Larger issues don't seem to matter in the corporate world. The country's biggest business houses told me they couldn't afford to offend Modi since they had business interests in Gujarat"

Danseuse Mallika Sarabhai, *on corporate houses' refusal to support her on a PIL filed by her against Gujarat CM Narendra Modi, in* The Economic Times

EXTRA
SKIN CARE FOR MEN



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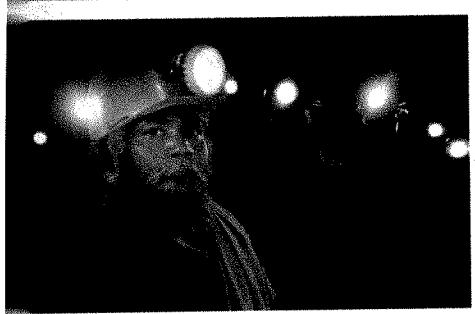
A CHRONOLOGY OF CLEARANCES FOR ROWGHAT IRON ORE PROJECT

How India Lost the Steel War

Elephants can't jump. But dragons fly. Even as India's Bhilai Steel Plant planned to get rights to mine a big iron ore reserve, China increased its steel production manyfold. But with Steel Minister Virbhadra Singh setting a 100-day target to get things moving, there's hope.



Steel Production

1983, Aug. 30:
SAIL and its Bhilai plant apply for iron ore mining lease in Bastar's Rowghat that has 511 MT of ore.

China 40 | India 10

1991
Eight years later, Bhilai gets Rowghat mining lease subject to environment and forest clearance.

China 71 | India 17

1996, Jan. 16
Ministry of Environment & Forests (MoEF) gives Stage 1 clearance, but SAIL is going through a bad decade.

China 100 | India 24

1998
First agreement with Railways signed for Rajhara-Rowghat railway link.

2002
Rowghat now belongs to a new state: Chhattisgarh. With the market hotting up, SAIL starts pushing Rowghat.

China 182 | India 28

2005
Third-party study of flora & fauna begins, as does Environment Impact Assessment and Management Plan.

China 356 | India 46

2007
Mining plan cleared. MoEF gives clearance but matter goes to a Central committee as directed by the Apex Court.

China 490 | India 53

2008, Oct. 13
The apex committee gives green signal. MoEF gives interim forestry clearance for diversion of forest land.

China 500 | India 55

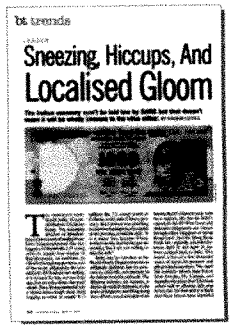
2009, June
The Union MoEF final clearance came on June 4. UPA government sets 100-day target.

Compiled by Somnath Dasgupta All figures in million tonne

BT HISTORY

Dealing with Pandemics

Business Today, **May 25, 2003**


BT trends

Sneezing, Hiccups, And Localised Gloom

The Indian economy won't be laid low by SARS, but that doesn't mean it will be wholly immune to the virus either.

India may be SARS-free as the World Health Organization has so obligingly declared, but its economy is, evidently, not immune to the fallout from the outbreak. The shipping industry, for instance, is almost grounded: deliveries to the ports of Singapore and Hong Kong have all but ceased and apart from hurting India's bilateral trade with these regions, this has hit India's exports to the US West Coast and Australia (shipments are routed through either Singapore or Hong Kong) hard.

ASHISH GUPTA

POSTSCRIPT: *Will H1N1 hit India harder than SARS and affect both domestic industries and international trade? As of now, we seem to be better off than the likes of the US and Mexico, but with many academic institutions, malls and even offices shutting down for a few days across different towns, matters may come to a head, unless the health ministry steps in quickly.*

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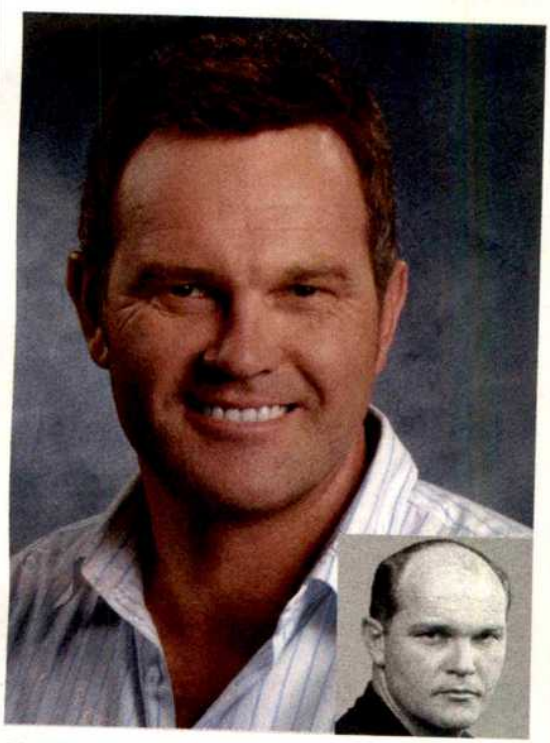
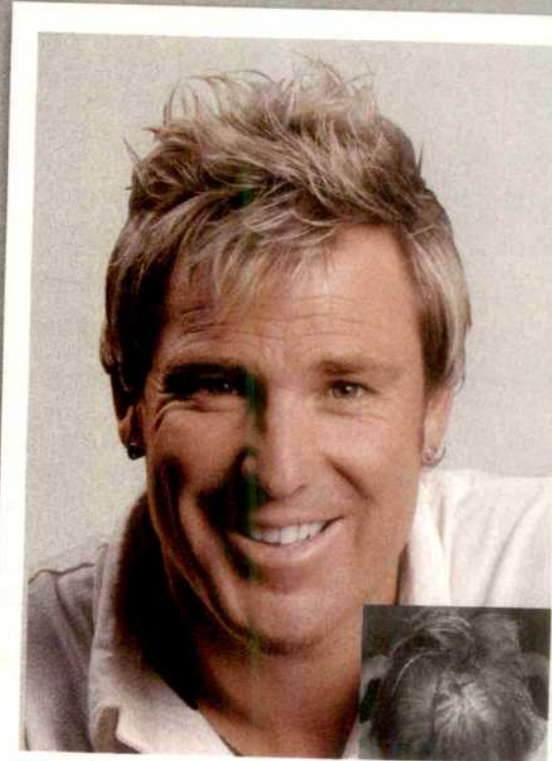


Martin Crowe,
New Zealand Cricket Legend



Shane Warne,
Australian Cricket Legend

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"We Do Not Believe Anyone Else Can Prescribe Our Development or Energy Goals"

Shyam Saran, Special Envoy of the Prime Minister on Climate Change, discusses some of the criticisms levied against India on its stance on climate change with **Shalini S. Dagar**. Excerpts:

AMIT KUMAR

Has India buckled under pressure from the developed world on climate change?

It is true that the figure of limiting rise in average global temperature to 2 degree Celsius was mentioned for the first time in our recent statement. This merely refers to the prevailing scientific opinion. However, it is not a statement made by India alone. Sixteen other major economies have made it. Our stance is clear that no ambitious action on climate change is possible without developed economies bearing their share of the burden.

India says it will not exceed the per capita emissions of the developed world. How sustainable is this position?

The projection of India as a problem nation is not true. Annually, on a per capita basis, India does not release even 2 tonnes of carbon-dioxide equivalent, while the developed world has in some cases almost 20 tonnes per person. The energy intensity of India's economic growth is very low, which is true of very few countries. In any case, it is to our advantage that we reduce our dependence on fossil fuel because we import 70 per cent of our oil requirements. Curtailing the use of fossil fuel does not contradict our larger energy security goals.

What do we want from international agreements on adaptation or mitigation?

Funding for climate change cannot be considered in the nature of an overseas development aid (ODA), which typically follows a donor-driven approach. If there is a significant action for ambitious outcome, then it cannot be less than 0.5 per cent of the developed world GDP. As far as scrutiny of the funds that India receives on such an account is concerned, we have no problem. But we do not believe that our overall economic planning or national climate change plans should concern others. No one else can prescribe our development or energy goals.

For full version, log on to www.businesstoday.in

NUMBERS OF NOTE

30%

The percentage of Indian firms that will expand their workforce by December 2009.

17 mn

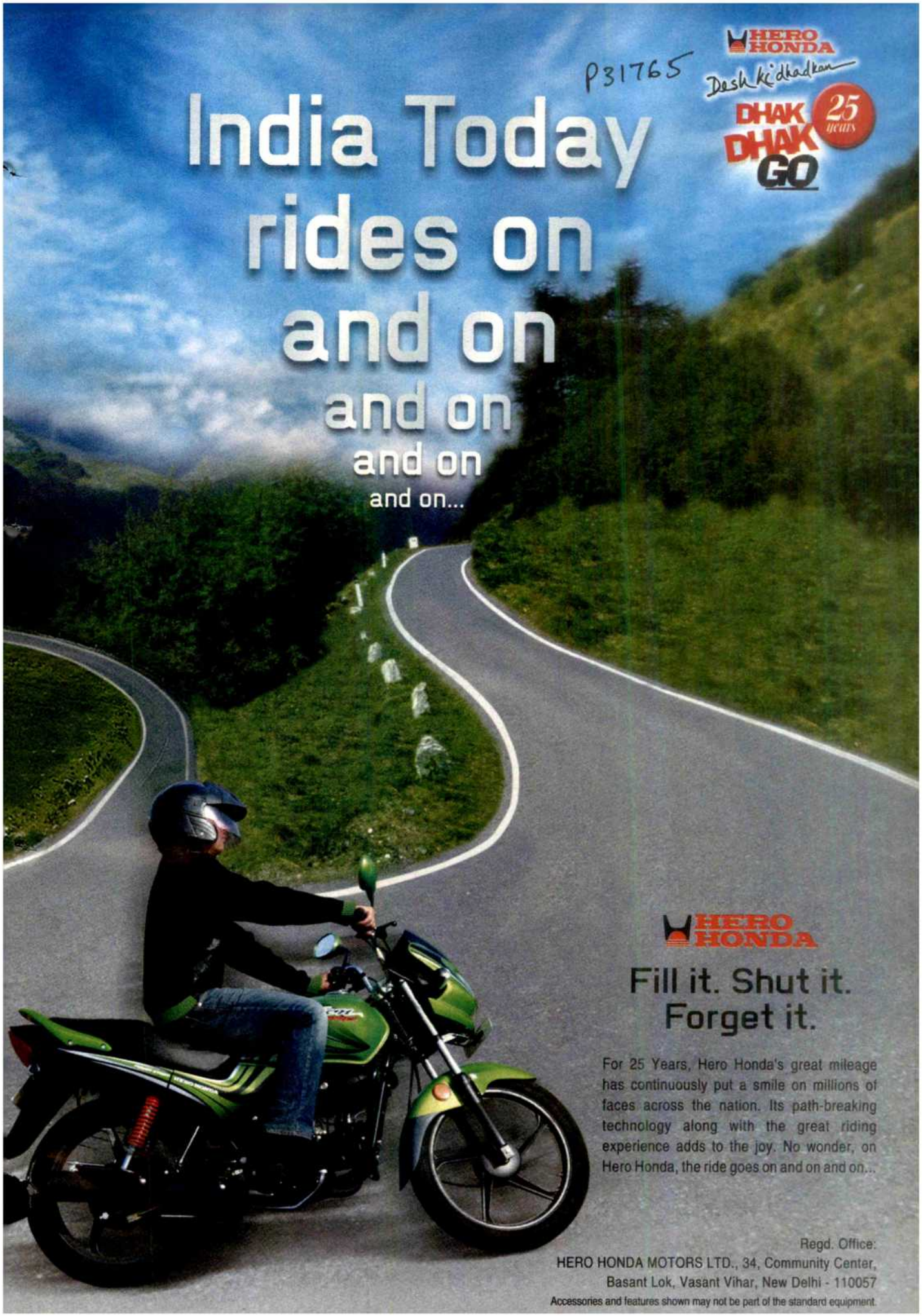
The number of Indian mobile phone users added in June. Now the total number of users is 427.28 million, as per data released by the Telecom Regulatory Authority of India.

338 mn

China's online population in 2009, the largest in the world and, in fact, more than the entire population of the United States.

Rs 12,434 cr

The money the Airports Authority of India (AAI) plans to spend for modernising airports and air traffic services in India during the 11th Plan period.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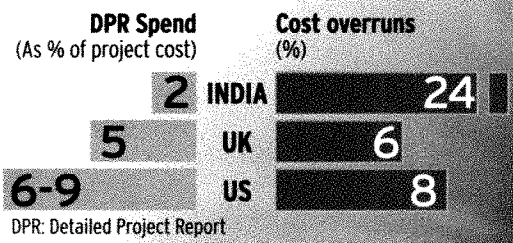
INFRASTRUCTURE ECLIPSE

A **McKinsey** study on India's infrastructure reveals that underperformance in the sector during 2008-17 will result in GDP loss of $200 billion (about Rs 9.6 lakh crore) by FY 2017.

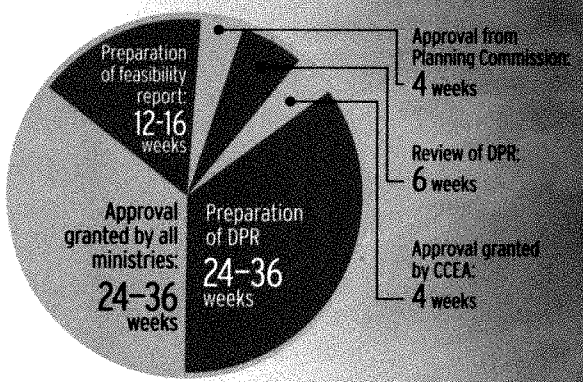
PROBLEMS

Low investment in planning and engineering leads to high costs of implementation.
Underestimating costs of projects or overestimating their scope invariably means larger than budgeted for spending.



DPR: Detailed Project Report

It takes around 23 months to get all relevant clearances before a tender can be issued.
Approvals are needed from sources such as the Planning Commission, ministries and the Cabinet Committee for Economic Affairs (CCEA), before a tender is floated.



COST

The opportunity cost of underperforming infrastructure by 2017 will be:

Lower per capita income by
$ 150

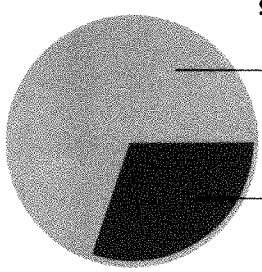
Non-creation of jobs in infra and allied sectors
30 million

Unemployment rate higher by
6%

This will translate into 10% cut in GDP in 2017

Most road projects suffer from land acquisition delays after tendering. A Ministry of Planning survey shows that 70 per cent of all government projects are delayed due to archaic land acquisition laws.

Ministry of Planning study results



70% Delayed due to land acquisition

30% Delayed due to other reasons

Construction industry survey results

Projects that suffer delays due to land acquisition — **80-90%**

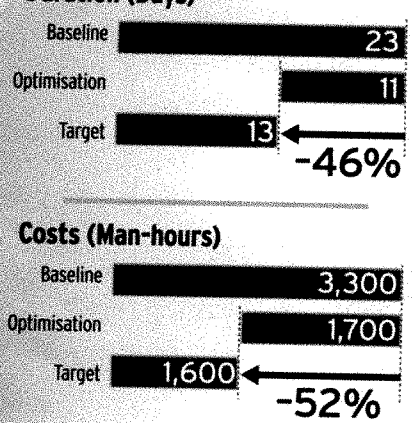
Typical delay of total project time — **15-20%**

Prevalence of design, procurement and construction best practices are low among Indian providers. Most Indian providers are either unaware of lean construction principles have not really adopted them in a meaningful

PRESCRIPTIONS

Construction-related cases should be handled by fast track courts. This is a practice followed by many countries. Also, similar courts for other issues have done well in India.

Employing lean techniques can result in substantial cost and time savings. For instance, assembling the structures in a power plant instead of building on-the-spot reduces total project duration by 46 per cent and cuts cost by 52 per cent.



The quality-cum-cost-based approval approach is best for selecting consultants. A firm's performance on previous projects and sector experience should be considered. This has ensured reduction of cost overruns to just 6 to 7 per cent in the US.

Delivery mode should be decided before tendering on a project-by-project basis. By pre-selecting the delivery mode (i.e., cash or concession) one can optimise the project scope, thus increasing the chances of a good response to the tender.

Compiled by DHIMAN CHATTOPADHYAY

Source: McKinsey India study–'Building India: accelerating infrastructure projects'

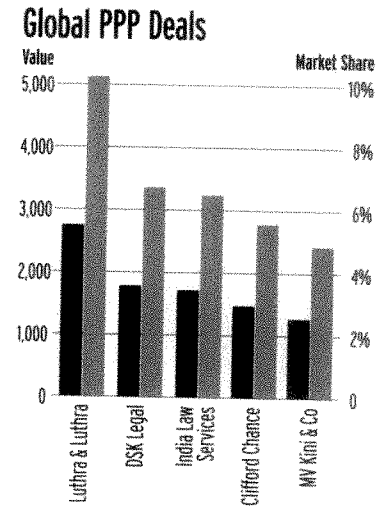
Indian Law Firms Top Global Leagues

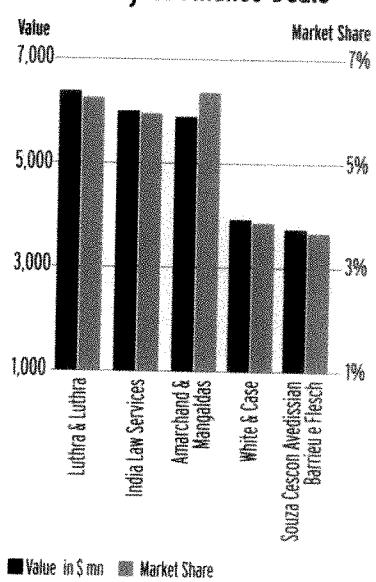
When it comes to closing billion-dollar deals, companies, it seems, are banking more than ever on Indian law firms to get the job done. Indian law firm Luthra & Luthra has emerged the largest legal advisor in the world for project finance deals closed in the first half of 2009. The tables for PPP (public private partnership) deals are also led by Indian firms, according to data collected by deal tracker Dealogic. These, interestingly, are not amongst the best-known legal firms in India, though they are certainly amongst the biggest.

The Dealogic report confirms that with six deals totalling $6.3 billion and a market share of 6.3 per cent, Luthra & Luthra were the top legal firm in project finance deals. Indian Law Services came second with 14 deals worth over $6 billion, giving it a market share of 6 per cent. Even in global PPP, Luthra closed deals worth $3 billion or 10 per cent of the market. Collectively, top Indian law firms cornered 28.2 per cent of the global market for PPP deals and 18.1 per cent of the global project finance deals.

This strong performance, however, could well be by default as the global economic downturn has wiped out projects and funding opportunities in most countries. It is only the Indian subcontinent which saw 36 projects close with a value of $31.9 billion—an increase of 158 per cent on the same period last year (April-June 2008). India's strong numbers, in fact, improved Asia's overall showing, making it the only region exhibiting an increase in project finance volumes by 6 per cent. North America (-37 per cent) and Western Europe (-41 per cent) both recorded dramatic falls.

PUJA MEHRA





BT-ERNST & YOUNG

DEAL WATCH

Biggest deals in the past 30 days*

In a deal worth Rs 627 crore, pharma major Wockhardt has agreed to divest its nutrition businesses to the US-based healthcare company Abbott Laboratories. With this divestment, Wockhardt adds one more deal to its corporate debt-restructuring scheme. Abbott is also expected to leverage Wockhardt's local manufacturing capability and commercial infrastructure to further expand its presence in India.

TARGET	ACQUIRER/ INDUSTRY	TYPE	DEAL VALUE (Rs crore)	STAKE (%)
Nutrition businesses of Wockhardt	**Abbott Laboratories**/Pharmaceuticals	Acquisition	626.8	100
UMP	**UTV Software Communications**/Media & Entertainment	Acquisition	223	23.18
Future Logistics Solutions	**Li & Fung**/Logistics	Investment	145.3	26
Shriram City Union Finance	**Norwest Venture Partners**/Financial Services	Private Equity	121	8.4
Indian Film Co.	**Network 18 Media & Investments**/Media & Entertainment	Open Offer	117.2	64
FIITJEE	**Matrix Partners India Investments**/Education	Private Equity	100	NA
Bengal Aerotropolis Projects	**Changi Airports Group**/Infrastructure	Investment	96.8	26
Career Point Infosystems	**Franklin Templeton**/Education	Private Equity	50	NA
Itz Cash Card	**Matrix Partners, Intel Capital, Lightspeed Venture Partners**/Technology	Private Equity	50	NA
Just Dial	**Sequoia Capital India**/Professional Services	Private Equity	40	NA

Ernst & Young is a leading M&A advisor in India. While every care has been taken to compile this data, it is based on media reports, company announcements and other secondary research. Any decision on the basis of the above mentioned information should be taken only after professional advice. Business Today *or Ernst & Young do not undertake any responsibility in regard to any such decision Includes only M&A, private equity and brand sale transactions *As on August 6, 2009 Not a complete list*

"We Will Open 20 New Factory Outlets in India This Year"

Hans-Kristian Hoejsgaard, *CEO & President, Timex Group BV, spoke to* **Anumeha Chaturvedi** *on expansion plans in India and new strategies to attract the young. Excerpts:*

Has the slowdown hurt sales of mass brands like Timex?

On the contrary, we're still growing and doing particularly well in India, China and West Asia. Our strength lies in the diversity of our portfolio—from designing and manufacturing a mass brand like Timex, to holding exclusive worldwide licences for Versace, Ferragamo, Valentino and Vincent Bérard.

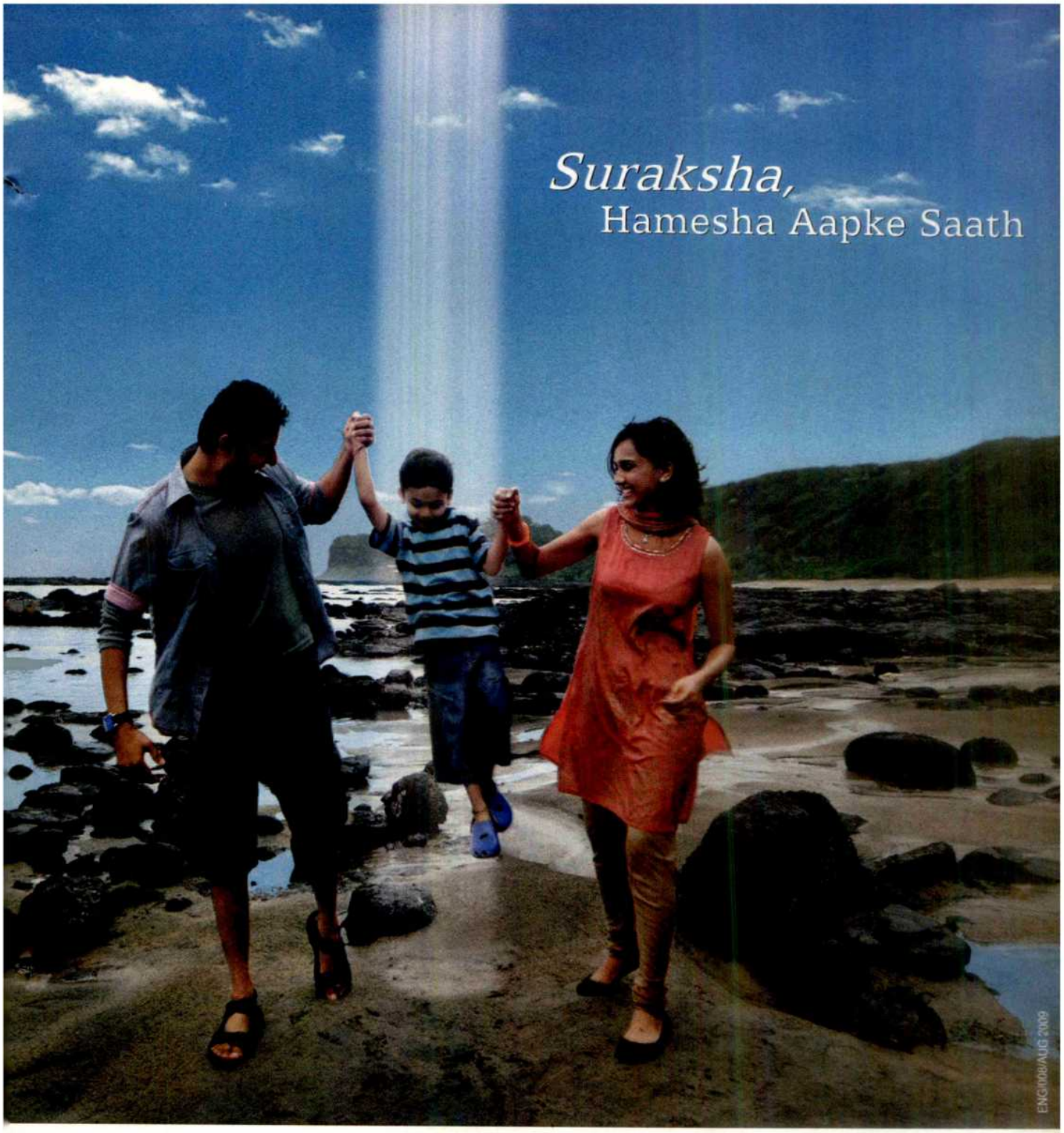
MONEY SHARMA

What is your key focus now?

The biggest challenge today is to attract youngsters, who're willing to experiment, to get them excited about watches. Hoping to address this, we've tied up with a hip-hop brand like Marc Ecko, known for its unique and edgy designs.

Where does India figure in your global pecking order?

Right at the top. We will open 20 new Timex factory outlets in India this year and six new points of sale centres for Ferragamo. We are keen to be a long-term player in the luxury segment, too.



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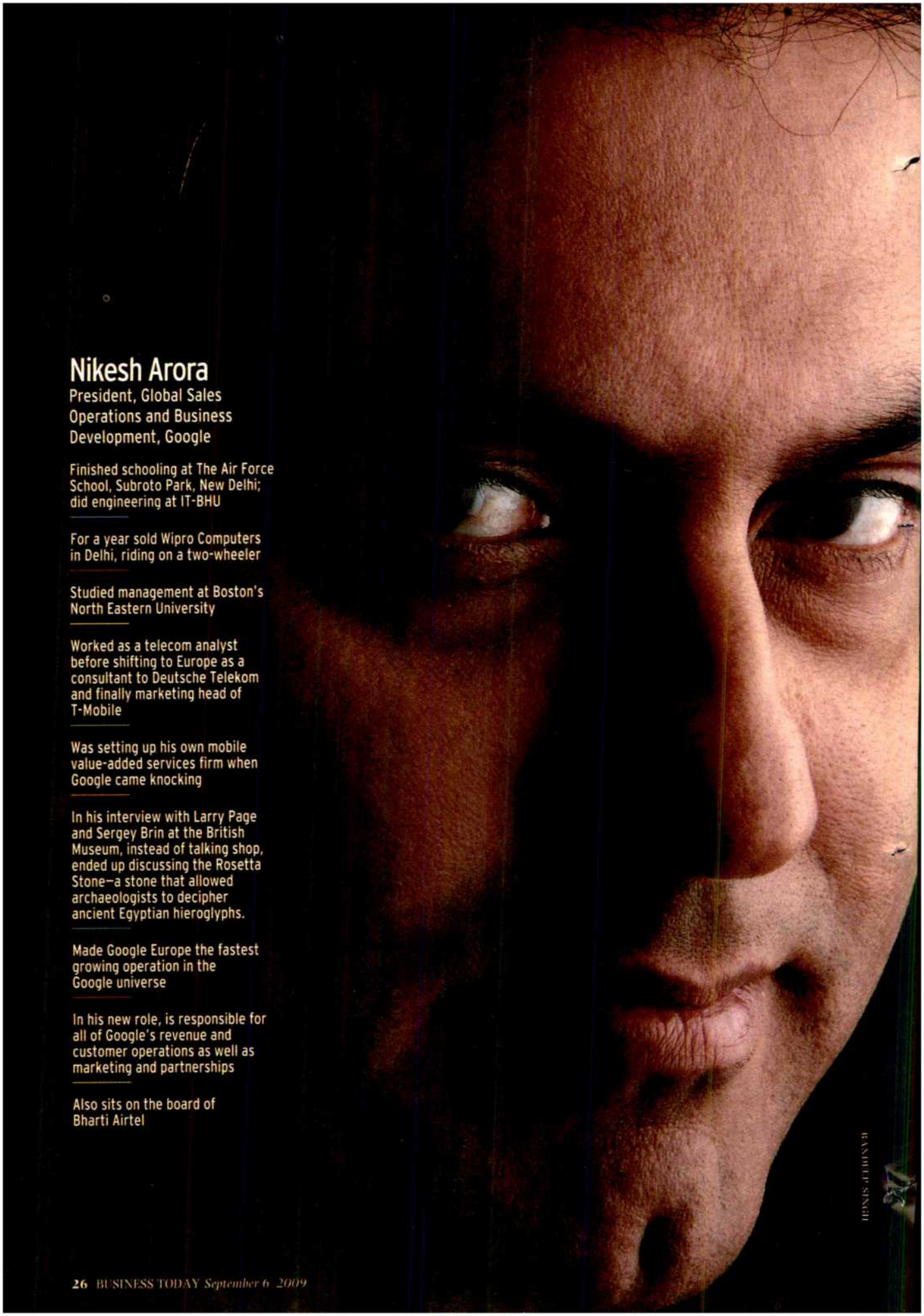


Nikesh Arora

President, Global Sales Operations and Business Development, Google

Finished schooling at The Air Force School, Subroto Park, New Delhi; did engineering at IT-BHU

For a year sold Wipro Computers in Delhi, riding on a two-wheeler

Studied management at Boston's North Eastern University

Worked as a telecom analyst before shifting to Europe as a consultant to Deutsche Telekom and finally marketing head of T-Mobile

Was setting up his own mobile value-added services firm when Google came knocking

In his interview with Larry Page and Sergey Brin at the British Museum, instead of talking shop, ended up discussing the Rosetta Stone—a stone that allowed archaeologists to decipher ancient Egyptian hieroglyphs.

Made Google Europe the fastest growing operation in the Google universe

In his new role, is responsible for all of Google's revenue and customer operations as well as marketing and partnerships

Also sits on the board of Bharti Airtel

Google's 4th Ace

Nikesh Arora has vaulted to the 4th position in Google Inc.—next to the founders and the CEO. Here's an account of his success, what it means to be a Googler, and how the Internet—with Google in the forefront—is challenging traditional business models. KUSHAN MITRA

Sometime in 2008, Nikesh Arora, then the Head of Google European, Middle Eastern and African (EMEA) operations, ran into the famed marketing guru Philip Kotler at a seminar in Dubai. Kotler's 4Ps of marketing—getting the product, pricing, placement and promotion right—is considered a gospel for modern business. Arora asked him a very fundamental, if not irreverent, question: What happens to the 4Ps principle if three out of the four Ps are zero? Google's products are free, the company doesn't advertise (at least didn't then) and there isn't any specific placement of its products. The only P Google has is the Product. Kotler apparently brushed aside the query.

If Kotler was flabbergasted at Arora's question, he isn't the only one. Google's single P formula to achieve the two most elusive Ps of business—Popularity (75 per cent share of the Internet search) and Profits ($4.3 billion in 2008 at a margin of almost 30 per cent)—has confounded many. Arora was perhaps the right person to tickle Kotler, for he is now the man in Google directly responsible for the mother of all Ps—profits. After his success in making Europe a cornerstone of Google's business, Arora has recently been promoted as President, Global Sales Operations and Business Development. Incidentally, Google has only three "Presidents"—the other two are founders Larry Page and Sergey Brin. And here is the surprising bit: Arora has not been a Googler all his working life.

Rather, Arora is more of a journeyman—unsurprising, given that he was brought up in an Indian Air Force family. He credits the Kendriya Vidyalaya system for his upbringing, even though he finished schooling at The Air Force School in New

IN THE TOP 4

Eric Schmidt
Chairman of the Board and CEO

Larry Page
Co-Founder & President, Products

Sergey Brin
Co-Founder & President, Technology

Nikesh Arora
President, Global Sales Operations and Business Development

Delhi's Subroto Park. Electrical engineering at Institute of Technology, Benaras Hindu University, came next, essentially because he followed his best friend there. After that, he took up his only sales job before joining Google—selling Wipro computers to the government. But that was only for a year, after which Arora went to the United States to study management and spent 10 years living in Boston as a student and a consultant.

Then, Arora says he got bored, quit his consultancy job and packed off to London where he set up his own firm offering advice to telecom companies—among them Deutsche Telekom (DT), Germany's dominant telecom operator. His skills were appreciated and the management at DT asked him to help set up marketing for their newly formed T-Mobile division. For six years, Arora commuted between London and Germany every week, transforming T-Mobile into Europe's dominant carrier along the way. It was in this role that he first met Sunil Mittal, Chairman, Bharti Group, at an industry conference. Mittal used to ask for Arora's counsel, and later, Arora would join the Bharti Airtel board.

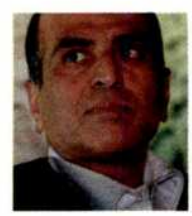
Eric Schmidt, Chairman & Chief Executive Officer, Google Inc.

"We're all excited that Nikesh has now taken on the global sales role—and look forward to him improving our partnerships in emerging countries, as well as taking our display and apps businesses to the next level"

In early 2004, Arora got bored yet again. He was on the verge of setting up a mobile value-added services company when a call came from a friend about an opening in Google. Arora seemed intrigued enough to visit Google's London office, which was in the middle of an industrial park. He was rather unimpressed, but a few days later, the founders Page and Brin wanted to meet him.

Sunil Mittal, Chairman, Bharti Group

"Nikesh is an outstanding individual with experience in private equity, telecom, in particular, marketing, and now the new world represented by Google. These were the reasons for inviting him to the Bharti Airtel board"



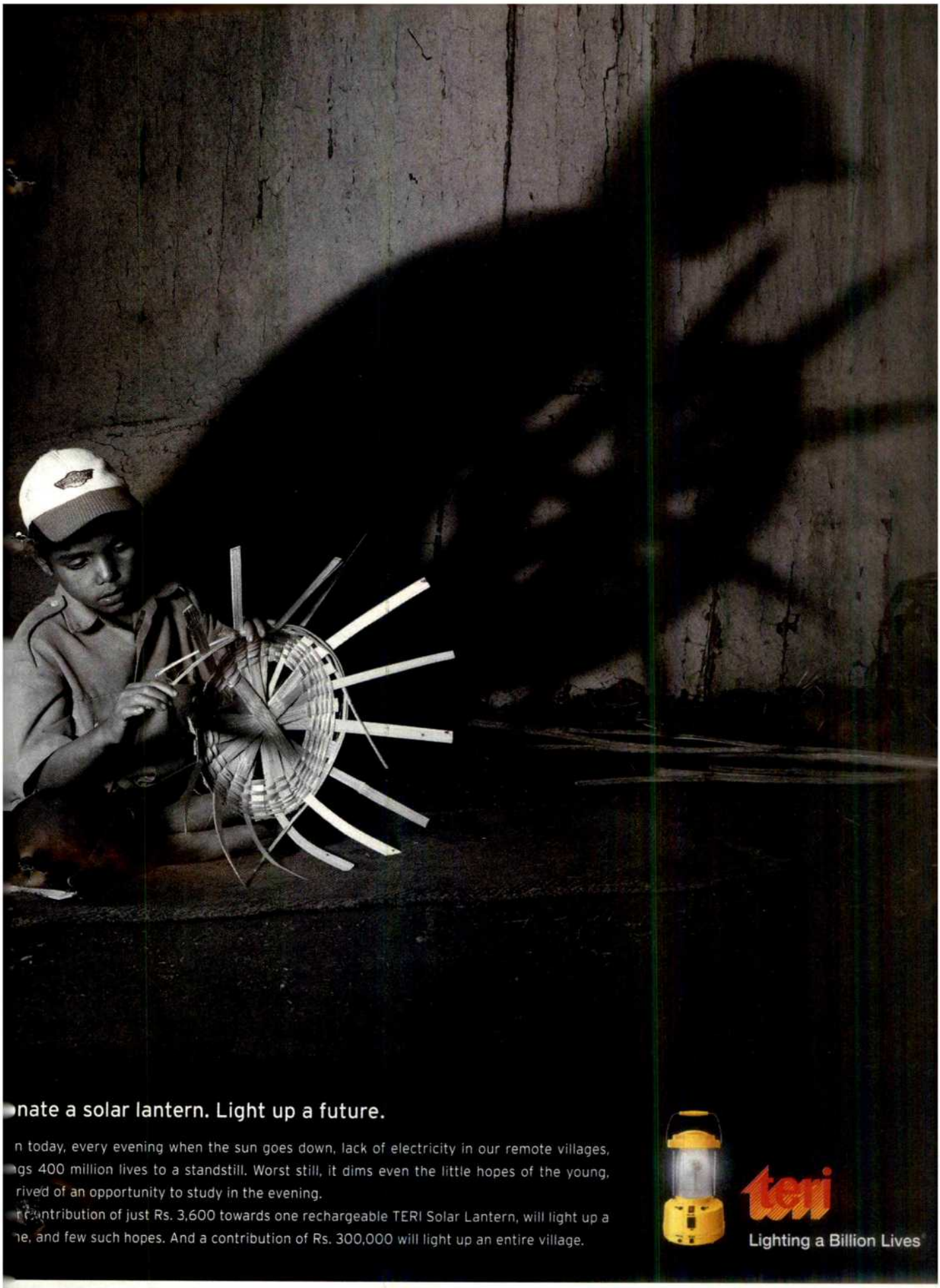
Their meeting took place while walking around the British Museum. A few days later, Arora met Schmidt and was soon chosen over 25 others as the new chief of Google's European operations. In four years, Arora took EMEA's revenues from under $1 billion to $8 billion, spread Google's business to over 15 new countries and took the employee count from 1,000 to 3,000.

Google was quick to recognise Arora's contribution. "Nikesh very quickly brought order to our European sales organisation—hiring great people in many countries where we operate and building close relationships with our local partners. He's always understood that one size can never fit all, and that you need different strategies in different countries to address local cultural and business nuances," says Chairman & CEO Eric Schmidt.

Arora saw opportunities for Google that the company itself wasn't able to spot. His first boss at Google, Omid Kordestani, who built the Google business model and is now senior adviser to the CEO and the founders, says: "When I first met Nikesh, he was impressed with Google's success in Europe but had bigger aspirations for us. He wanted Google's business success in the rest of the world to match what he saw at Google's operations in Silicon Valley and the US. He focussed on building an impressive team of professionals and establishing operational excellence across all regions under his management. He is passionate, intelligent and hard working, with a tireless commitment to getting things right. He applies the same skills to his golf game, though he should not bank on that as a profession!"

A unique strength that Arora brings to the Operating Committee of Google is his global multi-business experience and his "out-of-Mountain View" thinking. This is particularly relevant at a time when Google's growth has slowed down in mature markets such as the US and Europe and it needs more diversity and balance in its revenue mix (over 80 per cent of its revenue comes from the US and Europe). Also, Google is entering new areas such as display advertising and developing whole new technologies to take on newcomers as well as continuing to battle away with Microsoft (not in the least by launching a new Operating System—Chrome). This means Arora will have to maintain Google's tremendous money machine. Google generated $5.5 billion in revenues for the quarter ended June 30, 2009, with a net margin of 26.9 per cent and a market capitalisation of $138 billion.

Arora, therefore, isn't all that bored anymore. After all, he has a new job. After finishing his India visit recently, during which he also attended the Airtel board meeting, Arora has moved to Google's headquarters in Mountain View, California, from London. Maybe, that is because there is some great golfing in Northern California. ⊙



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Q&A
with Nikesh Arora

"The biggest tragedy will be if great content is created but it cannot be found"

In a freewheeling chat with **Rohit Saran, Kushan Mitra and Shankkar Aiyar,** *Nikesh Arora explains what Google really stands for, whether it's feeding on profits of other businesses and why he loves being a Googler. Excerpts:*

GOOGLE AS DISRUPTOR OF CONVENTIONAL BUSINESS

People look at Google as the Tom Sawyer of business. You get to eat the apple when somebody is painting the fence. Your revenue is driven by content that is free.

I don't think that is a fair characterisation. Think about this: About four exabytes of data (an exabyte is one billion GB or roughly 40,000 days of video programming) was created prior to 2005. Last year, that number was 270 times that. The point is that a majority of the world's information is coming in digital form. Now, there are people who develop the content, people who create the content, and then there are people who help other people find it.

...That's where Google comes in?

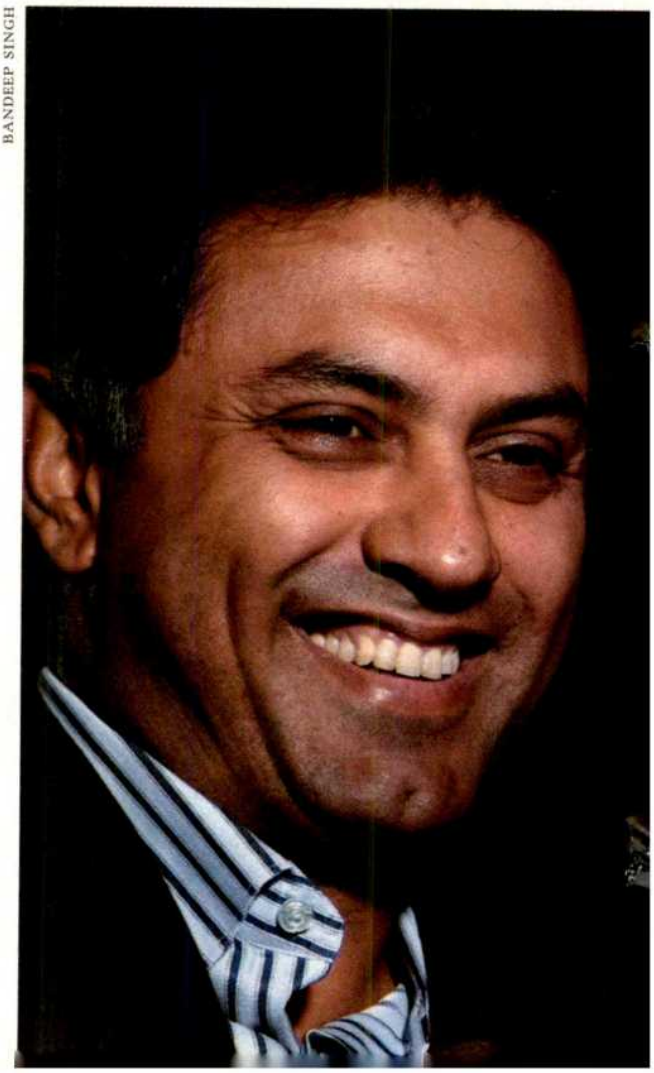
Yes. What's a music company? A music company doesn't sing. It finds a talent and makes it accessible around the world. What are broadcasters? They collect other peoples' content and enable people to access it. Are they adding value in the process? Yes, they are. I think the biggest tragedy will be if great content is created but it cannot be found.

Are you conceptually challenging the existing media?

Conceptually, the Internet is challenging the media. It is forcing us to rethink traditional media models. That will happen with or without Google in the mix. If we didn't exist tomorrow that won't mean people are not going to post videos online or watch content online. There are other search engines. I don't think the fundamental behaviour of users changes whether Google is in the mix or not.

You can look at us as an accelerator or enabler. So with Google News, we are helping people find news. There are many newspapers who come to us and say "Thank you very much, I find 10-20 per cent of my traffic from Google

BANDEEP SINGH



News". Google doesn't make any money on this. It sends the people back to your website. Google increases the discoverability of your content. You make mental transition from "Oh ****, the world is changing, my business model is challenged" to "Wow, my business is benefiting because I can do this much more cheaply and efficiently", you go from "Oh ****! Google is bad" to "Google can help me!"

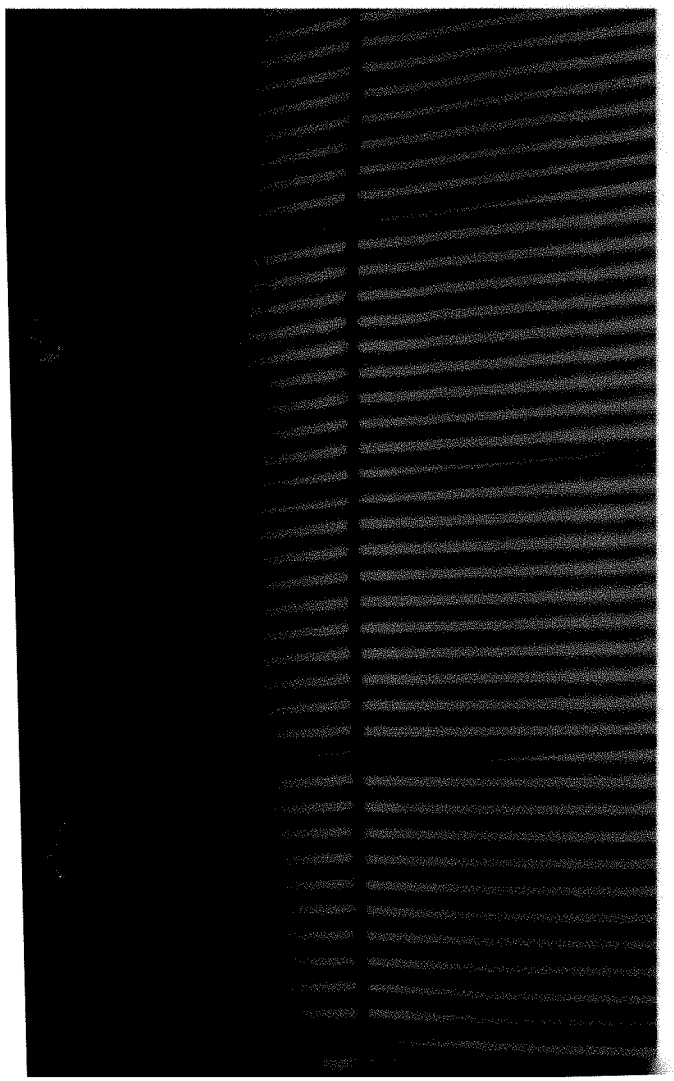
After print and music, Internet—or somebody may say Google, through YouTube—is challenging television now...

I don't think the video industry will make the same mistakes as the music industry. It will make new ones. Even today, if you want to release a video globally you need to get permissions from hundreds of different publishing authorities and it is still a quagmire...

WHAT REALLY IS GOOGLE?

An Internet-service provider. A media company. A software company. What really is Google?

In its DNA, Google is a technology company. If you talk to Larry (Page) and Sergey (Brin) or Eric (Schmidt), they're all technologists. They get excited about trying to solve large-scale technology problems around the world. We don't discuss business models or revenue potential....Google Search is a by-product of Larry and Sergey's vision to organise the world's information. Today, with billions of sites around the world, to be able to give a sub-second response to a query requires a lot of technology, a lot of computing and a lot of computing power. There is audio, there is video, there are structured and unstructured databases. To parse through all that is a hugely complex task.



So, innovation is what really drives Google?

Yes. For instance, I don't know when was the last time we had innovation in mapping business. Look at Google Street View, nobody would have actually thought of that. I was travelling with Larry on a plane on a clear day, and looking at the landmass below he was calculating how long it would take a fleet of cars to map every mile of every road in the US—perhaps 500 cars in six months or thousand cars in three months? That's how his mind works. That's how Google Street View was born, because Larry thought that it would be cool to not just look at a map but see how cool it would be to look at where you're driving. That's how technological challenges are born. One day he decided that the software on a phone wasn't that efficient and that is how Android was born.

Google is becoming a byword for globalisation. What does that say about the company?

The cycle of technology adoption is getting shorter. Radio took may be 100 years to be adopted, television took less than that, but Google took 10 years, YouTube five and Facebook just three. Our ability to adopt a technology is constantly growing. Broadband connectivity has hastened the process now. That's why, I think, Google in some places is synonymous with the Internet. And Internet with globalisation.

For a company which has been in existence for 10 years, has had revenues for 7 years and has really scaled globally only after it became public in early 2005, I think it's a huge testament that one can scale a business to so many countries in the world so fast.

When engineers come to you with a great idea do you ever find yourself saying, hold on, we have to figure out a way to make money on this?

Let me try and explain the process at Google. We have a lot of engineers, and Larry and Sergey have this fundamental view that so far works. They believe that we have to spend 70 per cent of our time working on our core search business—that is our bread and butter. Twenty per cent of our time is spent on related technological projects and the remaining 10 per cent on whatever one wants to do. Take Gmail, for instance. This is how it would have been developed. This young guy wants to design an e-mail

product. At most companies his proposal would be shot down because there are already so many other email products. At Google, we said OK, here is a bunch of engineers, go pitch your idea to them. I might be dramatising for effect, but you present your idea to a bunch of people in the room and people keep leaving. The last few people in the room might say that this is a great idea and that "I'll work with you". The guy designs Gmail, and then goes to the IT guy who runs the operations and says that "I would like to use server capacity." The IT guy tells him that "I only have so much capacity, so you have to limit the number of users". That's how Gmail gets launched as "by invitation" mail service. As it turned out, "by invitation" mail meant not only initially limiting the number of users but also no spam—because you got Gmail only from a known member. How Gmail succeeded later we all know.

"Video industry will not make the same mistakes as the music industry. It will make new ones"

When do you think of making money from a product?

We understand that some of the products may make money, some of the products may not make money and some may make money many, many years later. But an interesting perspective that I have found at Google, something that stimulates me, makes me love what I do, is Larry and Sergey's view that until you get a lot of people excited about a product and get them using it, what is the point of talking about monetisation? Even with search, until we got a lot of people using it we couldn't figure out search advertising. Even then, we said let the people using the ads decide the price. Originally, we started the way TV and print sell ads.

We also have a product launch philosophy: Launch early and launch often. Larry's view is there is no point in putting 600 people into a warehouse and shutting the door and having them coming out three years later with a "great" product saying it has got 50,000 features of which probably 49,500 will never be used. He believes in trying different things and then seeing what works. Google is the only Internet business which tries to get the users off our pages as quickly as possible. Every other business talks of engagement, eyeballs, how long you can keep them within your site. We say: Get off our page as quickly as possible and then you will come back.

FREE YET PROFITABLE

Will all Google products always remain free to users?

You have to remember that Google's mission is to organise the world's information and make it universally accessible and useful. Having started with a commitment to increasing access to information, our consumer offerings have to be almost all free. There are a few products we charge for but in the main they are free.

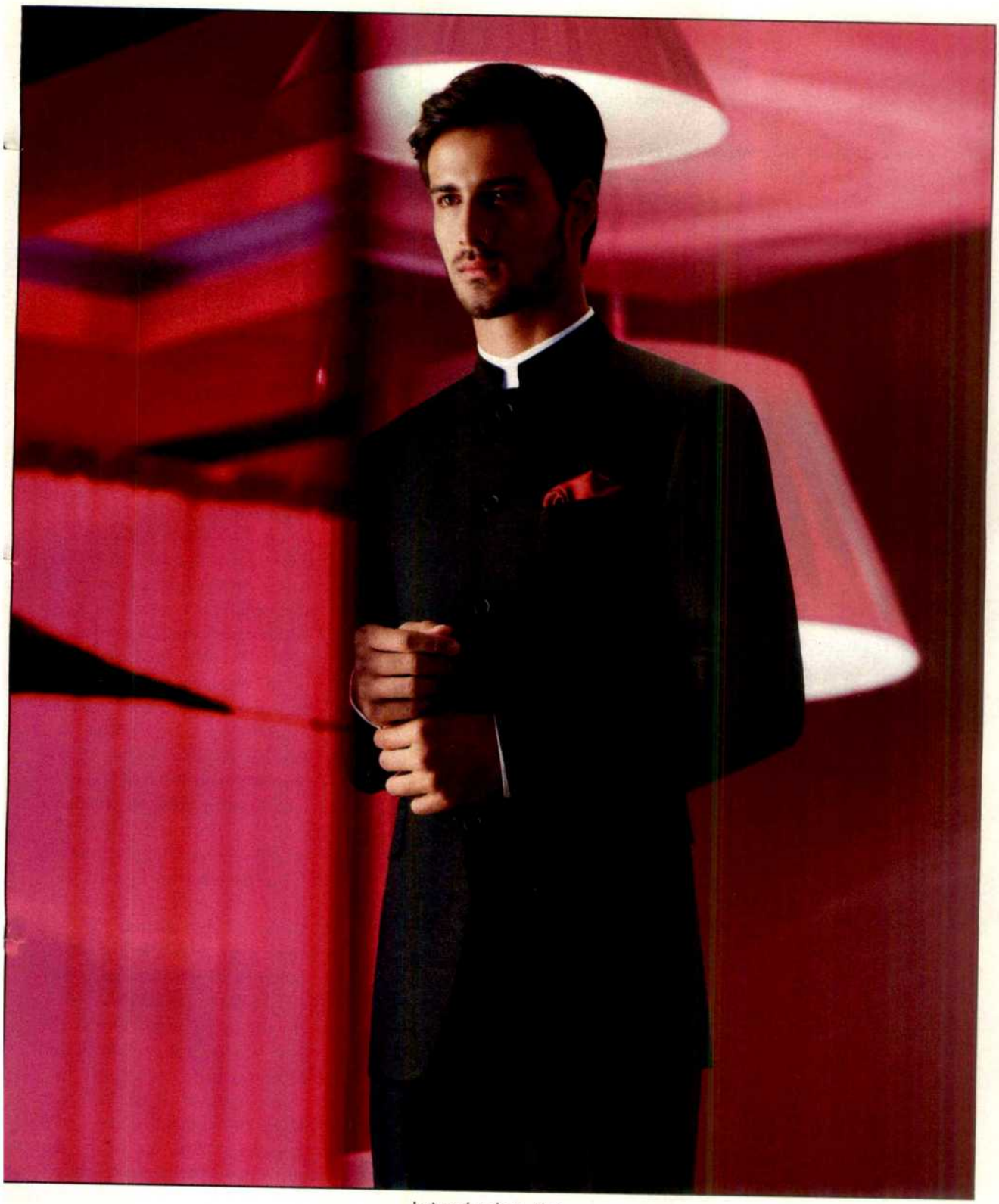
It's a matter of perspective. For example, should we charge for the Android operating system for phones? Probably not. But guess what? We may get 20 times the number of searches from Android than we do from other phones. And that's going to create more monetisation opportunities for us on search. So, do I really have to charge for Android? No. Sometimes, people lose this perspective.

What challenge does a free-to-customer model pose to you, who has to earn money for the company?

That's not how we look at things. We look at what problems we can solve for our users and then figure out the money side of things. If you worry about money first then you are not focussing on what is right for the user. We've also found that the right sort of advertising, which gives users relevant information at the right moment, is actually helpful and generates revenue. So, a product can be both free for the user and generate revenue for Google, which is a model that has worked well for us.

A key attraction of Google for the users was the absence of display ads. Will making YouTube profitable entail Google having to accept display ads?

We've already embraced display ads, and not just on YouTube. But it's all about understanding which ads are best suited for a given type of content. On our search results pages, we've found that the keyword-linked text ads provide the best experience for users and advertisers. In other contexts, contextual or interest-based display ads are a great option. We give advertisers and publishers these



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options and data to make the most of those options.

Google's sources of revenues remain skewed towards the US and Europe. How do you plan to build viable business in the smaller markets like India?

Building viable businesses for Google anywhere is dependent on our ability to build great products for consumers and having great relationships with our partners and customers. It's true of India just as it is true of the US. But we, of course, have a big advantage with Google in India—we have years of trial and error elsewhere to learn from. I do think India will progress on mobility and the PC, perhaps simultaneously, which requires us to work effectively on both fronts in this market.

BEING A GOOGLER

Google is supposed to change the mindset with which people work. What is the Google culture in your words?

We actually predefine the values under which we want to operate. There are some very fundamental principles on the back of which Eric would like to operate. Cool offices and free food, that's not culture, that's a way of creating an environment where people flourish. We want to create an entrepreneurial environment.... We at Google work for the employees, we don't work for the management. Just yesterday, I interviewed a person for a new position, and I am wondering if this person will bring way too many preconceived notions from his past life that may make it harder for him to adapt to the way we think. People tend to define success as something that has worked in the past.

"Until you get a lot of people excited about a product, there's no point in talking of monetising it"

Things like being able to bring kids or pets to office...are those meant to get employees spend long hours at work or you just want people to be comfortable?

The way you're saying it seems to suggest that it is an explicit strategy of some sort. It isn't. These things come from the employees. They ask, "Why am I not allowed to bring my pet to the office?" We say: Why not? You are a smart guy, you won't bring your kid or pet to the office every day. So, go ahead. Of course, there have been instances of pets getting lost in the office. In the New York office, an employee lost his pet python, and the *Wall Street Journal* ran a story with the headline "Google Searching".

GOOGLE, NIKESH & INDIA

How was it for you to transition from a company that first made business plans and then products to a company where products come first and foremost?

When I joined about four and a half years ago, we were in nine markets across Europe, and we didn't know how the company was going to scale. It made $3 billion in 2004. I had to sit down and figure out how we were going to scale. There is so much room in search, so much better return on investment relative to direct mail or even some print advertising. I spent 3-4 years working with the teams and getting business around Europe and making that an $8-billion business.

What is your role in Google today?

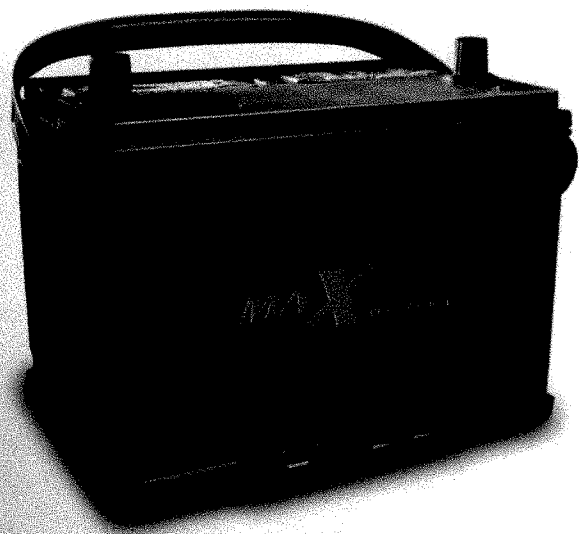
One part of my job is to monetise the existing businesses that we have: search, display and even YouTube. I sort of act part counselor, part executor, part evangelist internally—like (I tell people) if you design a product this way it will be easier for us to sell it or if you do it this way it will be easier to get partnerships. For example, YouTube is all about partners, we have 500 partners globally. Another thing we do collectively as a team is look at the various products of the company and see how those can be monetised.

Being an Indian what do you think you can do differently in India? How big is India in Google?

India is big strategically, but small in real money terms. I think the opportunity in India is such that we may end up becoming a cloud computing nation, and skip through the idea of having lots of software on your PC, which is how the West has evolved. But I am disappointed in terms of infrastructure. What we have achieved in mobile telephony, I wish we could have achieved in broadband too. Google may be synonymous with the Internet, but it is not Internet. I can make things work once there is broadband connectivity. But I cannot make the broadband connectivity work.

Strategically, it's a fascinating market. Indians are very tech-savvy; they adapt to new things very quickly. It is also a very innovative market; people try to find

Long lasting business support for Time Technoplast Ltd.



When Time Technoplast Ltd, a leading Indian company in technology-based polymer products looked at increasing its international footprint, HSBC was the partner they turned to. When they acquired a plant for manufacturing batteries in Bahrain, HSBC facilitated account setting procedures and organized working capital right away, besides referring an Arabic translator and a local valuer. It's just another example of how our resources and experience support you internationally.

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different ways to get the things done, whether it is right or wrong. There is in-built creativity and innovation. In fact, it goes back to a Google principle as well—scarcity breeds creativity. Larry and Sergey will never fund a project with extra resources. A project with too many resources will create several redundant things with too many bells and whistles that nobody will ever use. If I give you less (number of) people, you will be very focussed on what needs to be done. India works the same way, scarcity brings clarity and breeds creativity.

"Google may be synonymous with the Internet, but it is not Internet"

In China you are not the dominant Internet player. Are you scared India could be another China for Google?

We are never scared. India is a large consumer market, it's democratic and where consumer choice is respected. Google is happy to operate in markets where the consumer is in charge. We want to build great products and we want people to love those products . If people tell us ours is a bad product, I don't have a problem in reworking my product. We need competition. That's what creates evolution. Google Search was not the first search engine in the world. Google Maps wasn't. As Larry says, we will shut down products if there isn't anything innovative or exciting about them.

Do you ever wish Twitter should have come out of Google?

Of course. We had Google Video, but we decided to acquire YouTube when it had become a huge phenomenon. There's something about two guys in a garage (that's where YouTube and so many Silicon Valley companies were born). Who is to know if two people in a garage are building something somewhere that will challenge us.

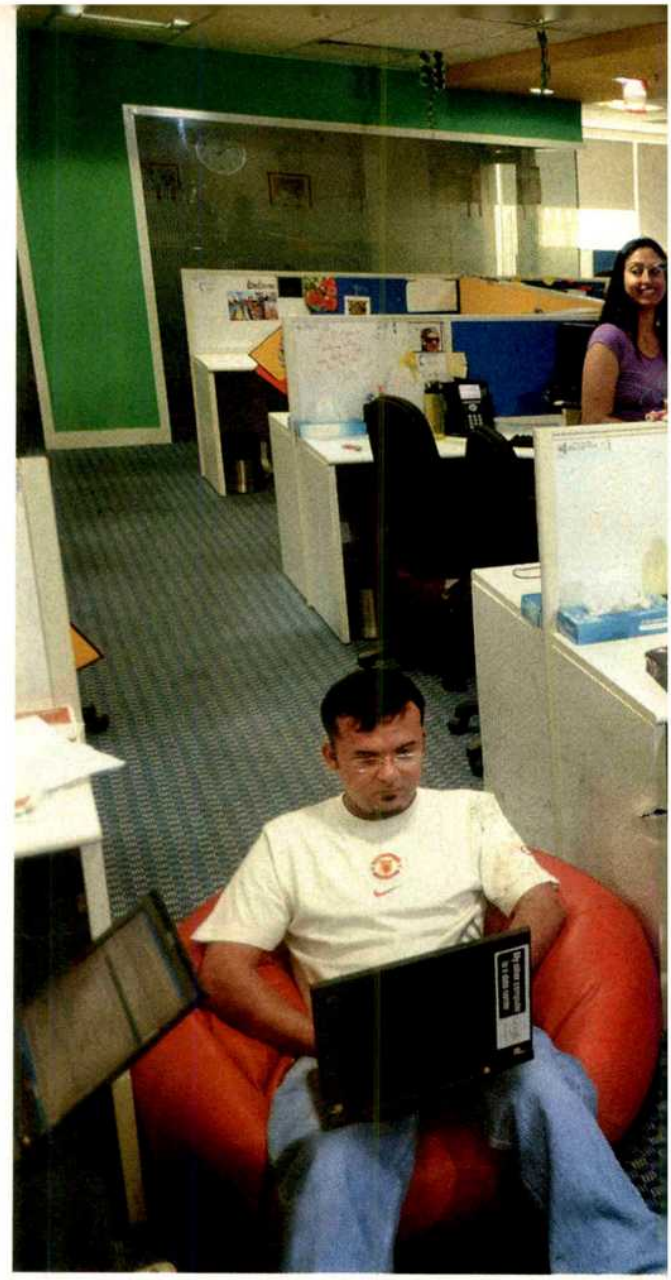
Does Nikesh bring extra India input into Google?

There is always a subconscious material that comes to any conversation based on people undertaking it. It is not explicit, though. I am in India three times a year and I'm on the board of Bharti. There is a different level of understanding, a different perception. There is always an unintended positive consequence which will happen. I think the management team in Google is cosmopolitan enough and not fixated on short-term goals. ⊙

Google's

Passage to India

India may be a tiny piece of the revenue pie for Google today, but that isn't stopping it from expanding aggressively and wooing both web users and corporate advertisers. KUSHAN MITRA

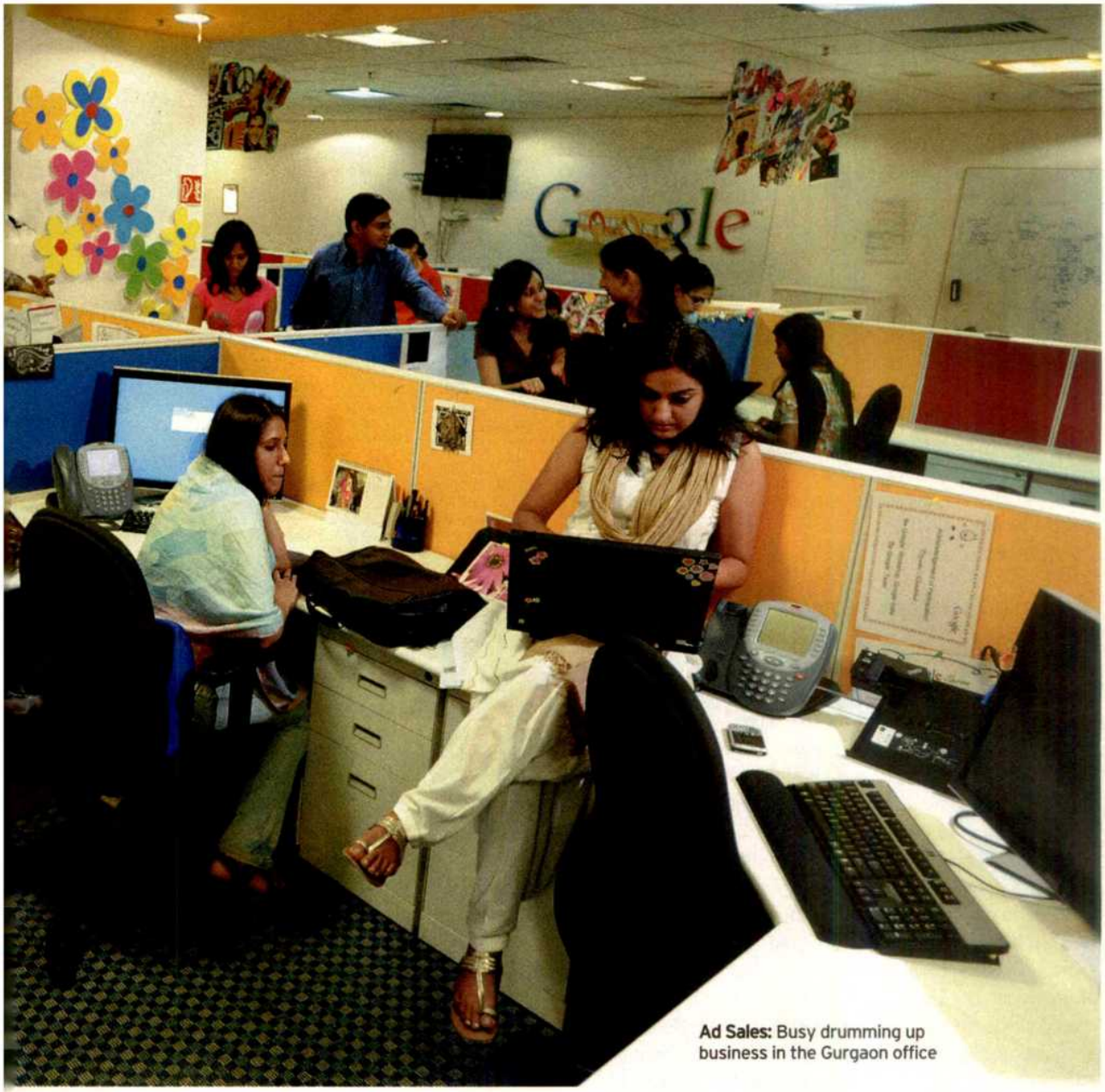


In 2008, Google generated $21.7 billion in revenues globally, almost exclusively from selling search advertising. India, however, contributed a measly $200 million—less than one per cent of that number. Yet, over the past 24 months, Google has been in a tearing hurry to get big in India. From a few employees working in Hyderabad supporting the global AdWords operation, Google has mushroomed to over 1,000 people across the country—its second-largest employee base globally after the United States. However, India, for Google, isn't about just developing new products, which it's undeniably doing. The company has also realised that it is sitting on top of a veritable goldmine of online advertising.

With only 6.6 million broadband users, this goldmine might seem a long way off, but Google's numbers in India are actually not too shabby. Its social network, Orkut, has an estimated 13 million active monthly users as of May this year. Along with the search page, video service YouTube, and its free e-mail (Gmail,) Google India claims to have four of the five leading web properties in India (the fifth being Rediff). With an active Internet base estimated to be around 50-60 million users, recent price cuts on broadband offerings as well as cheaper mobile-data access plans have given connectivity a big boost. Auctions for next-generation data-rich 3G-mobile networks and Broadband Wireless Access expected by the end of the year will improve things further. Not surprisingly, global research firm Forrester Research estimates that India will be the world's third-largest broadband Internet base by 2013. This is the market that Google is gunning for.

This market is also changing the way Indian companies are beginning to think about their customers. Even the more traditional manufacturing companies are beginning to realise that many of their prospective customers can now be lured through the Internet instead of print and television. This is big business for Google. "We have tripled our revenues in the last two years," says Shailesh Rao, Managing Director, Google India. Online advertising (non-classified) accounts for just five per cent of India's annual advertising budget of around Rs 25,000 crore today, but Google India claims to have 80 per cent of that sewn up. Rao says that Google has been approached by a flood of Indian firms—from auto makers to FMCG companies—seeking help in devising a strategy for Internet advertising.

One such company is Hyundai, which is promoting two of its products—the i10 and Verna—only through online marketing right now. Hyundai's spokesperson Rajiv Mitra says



Ad Sales: Busy drumming up business in the Gurgaon office

VIVAN MEHRA

that Google actually approached them—rather than the other way around—which shows how hungry Google is to beef up its revenues. Google has built a large ad-sales team headquartered out of Gurgaon that is busy evangelising Internet advertising to companies, big and small across India. "We see online marketing as a great exercise in brand-building," says Hyundai's Mitra. "Believe me, it is a lot cheaper than 'high impact' print or television advertising." Why? Simply because the online campaign has measurable results. If online users click on the i10 advertisement, they fill up a form which allows a Hyundai dealer to contact them about a test-drive and may eventually convert that into a sale.

For those whose businesses are solely net-driven, it's a simple decision. "You don't have a choice but to advertise on Google," jokes Deep Kalra, CEO, MakeMyTrip, one of India's leading online travel agencies. Kalra says that his travel site still gets a significant number of hits from these sponsored links—

- **Google India has tripled its revenues in the past two years**
- **It is reaching out to big offline advertisers, helping them shape strategies to place ads on its site**
- **Google's India-based engineers are constantly generating nifty products such as 'Voice' and 'Maps'**
- **The firm claims to have a 80% share of online ads in India, which will have the third-largest Internet base by 2013**
- **Google needs to watch out for Microsoft's new search engine 'Bing'**

How Google Makes its Billions

Google's process for placing ads is revolutionising the online advertising industry. Here's how it determines both price and ad slots on its website.

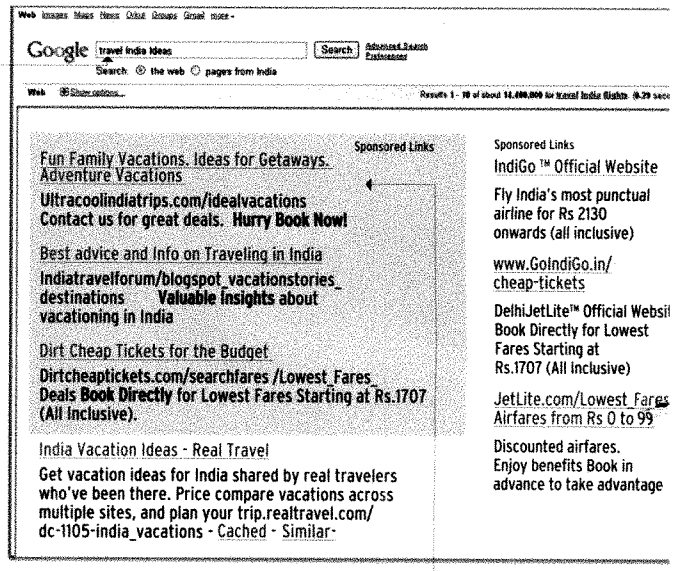
1. ESSENTIAL INFO: Any company keen on advertising on Google needs to know that the success of its ad hinges on three things: the price it is willing to pay; key-words in the search that it would like to bid on; the quality of its website. Unlike in conventional advertising, the price is not the most important criteria. Quality of the advertiser's website is also important. Also, an advertiser pays only when a web surfer clicks on its ad.

2. QUALITY CONTROL: The quality of the website which an ad-click leads to is a key determinant of where the ad will rank and how much it will cost. While the process through which quality is determined is a secret, it most probably depends on a variety of factors such as relevance of the site *vis a vis* the search terms, its "look and feel" and "bounce rate" (speed at which a surfer navigates away from the webpage).

3. HOW IT WORKS: We conjured up three travel websites to work as examples. We assumed that all three sites were bidding for the search terms "travel", "ideas" and "India". For simplicity sake, we made all three of our advertisers bid Rs 100 for an ad slot. Google figures out that ultracoolindiatrips is very pertinent to the search terms as well as easily navigable, and awards it 9 quality points. Indiatravelforum is appropriate, but finding what you want is a hit or miss experience. It gets7 points. Dirtcheaptickets is a straightforward ticket purchasing site so Google doesn't think it's relevant at all, except for the fact that it has a unique "write about your trip" section that is extremely popular and useful for a prospective traveller. It gives the site 5 points.

4. THERE'S GOLD IN THAT EQUATION!: Remember the famous Black-Scholes Option Pricing equation, that powered a revolution in finance and derivatives and won the authors a Nobel prize? Well, Google has come up with its own (infinitely simpler) formula for figuring out how to price its ads that promises to revolutionise the online advertising world. Here it is:

$$\text{Price paid by advertiser} = \frac{\text{(Amount of Next Highest Bid)} + \text{(Quality of Next Highest Bid)}}{\text{(Quality of Advertiser's Bid)}}$$



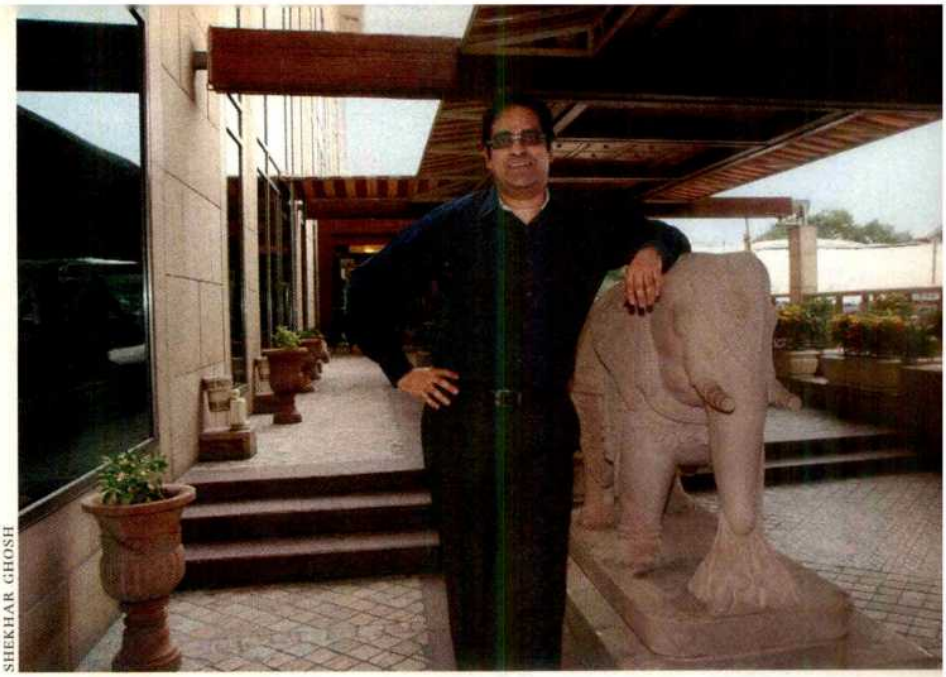
AND THE WINNER IS... ultracoolIndiatrips, naturally. It had the highest quality score despite having the same bid amount as the other two, and therefore came in first. It will pay only Rs 78—an amount which factors in the next highest bidders bid amount and quality score. Indiatravelforum ends up paying Rs 71 for the second ad slot. Dirtcheaptickets, which gets the third ad slot, actually ends up paying Rs 96, much more than the other two sites because of its lower quality score (assuming a fourth bidder who wouldn't show up but placed a losing bid of Rs 80 but a quality score of 6.) In other words, someone with a lower bid price but a higher quality score can outrank someone who upped the ante on the bid, but whose site sucked.

REMEMBER:

A higher quality score can actually drastically reduce the amount an advertiser pays. In fact, the top-placed advertiser might end up paying less than the second-placed advertiser simply because of quality.

Also, this is an automated process and takes place thousands of times every second, even for the same term. Advertisers can "tweak" their bids on the online system and can set thresholds and caps on bids. This is a democratic process according to Google and does not penalise smaller companies.

ads placed through Google's AdWords programme which uses an auction system to determine placement on its site—that the travel site has been using since 2004. For InfoEdge, owners of portals Naukri, Jeevansathi and 99acres, Google advertising is a two-way street. The site also makes money from Google, according to Hitesh Oberoi, COO, InfoEdge, through its AdSense programme—where Google shares revenue with other popular sites when it places ads on their pages—but clarifies that "we spend a lot more on AdWords than we make on AdSense." Still, attracting resumes, matrimonial profiles and real-estate listings for its various sites would be a money-bleeding, onerous affair without Google's AdWords. "The auction system makes things a lot easier and less arbitrary," says Oberoi.



SHEKHAR GHOSH

Shailesh Rao, MD, Google

"The first two years were tough, we were putting together the building blocks of the operation here, but this year will be exciting"

The business of selling ad space to companies can only thrive as long as Internet users keep flocking to Google's various sites. "India is a growing Internet market and we have to always keep on adjusting our products," says Rao. Consequently, the company has been integrating things like railway information, bus schedules, local business listings, movies and reviews into their Search, even adding geographic information. To aid in this campaign, Google keeps its army of engineers in southern India—under the command of Prasad Ram, Director, Engineering, Google—hard at work. The twist in Google's product development is that you as a customer are instrumental in the creation or development of a product. A major hit is Google Mapmaker, a software tool that allows users to enter Maps data, marking out roads and points of interest. Thus, instead of licensing maps, Google is encouraging users to help out. How successful is this? Within three days of the satellite image of Lahore (Pakistan) coming out, amateur mapmakers filled in all the gaps.

Google also realises that its biggest source of cash in India could soon come from mobile Internet usage, which according to data available from the Telecom Regulatory Authority of India (TRAI), was accessed by almost one in three mobile users in India last year. No surprise then that Google has geared many of their services—email service Gmail, Google Maps and even video-sharing service YouTube—towards users in this market.

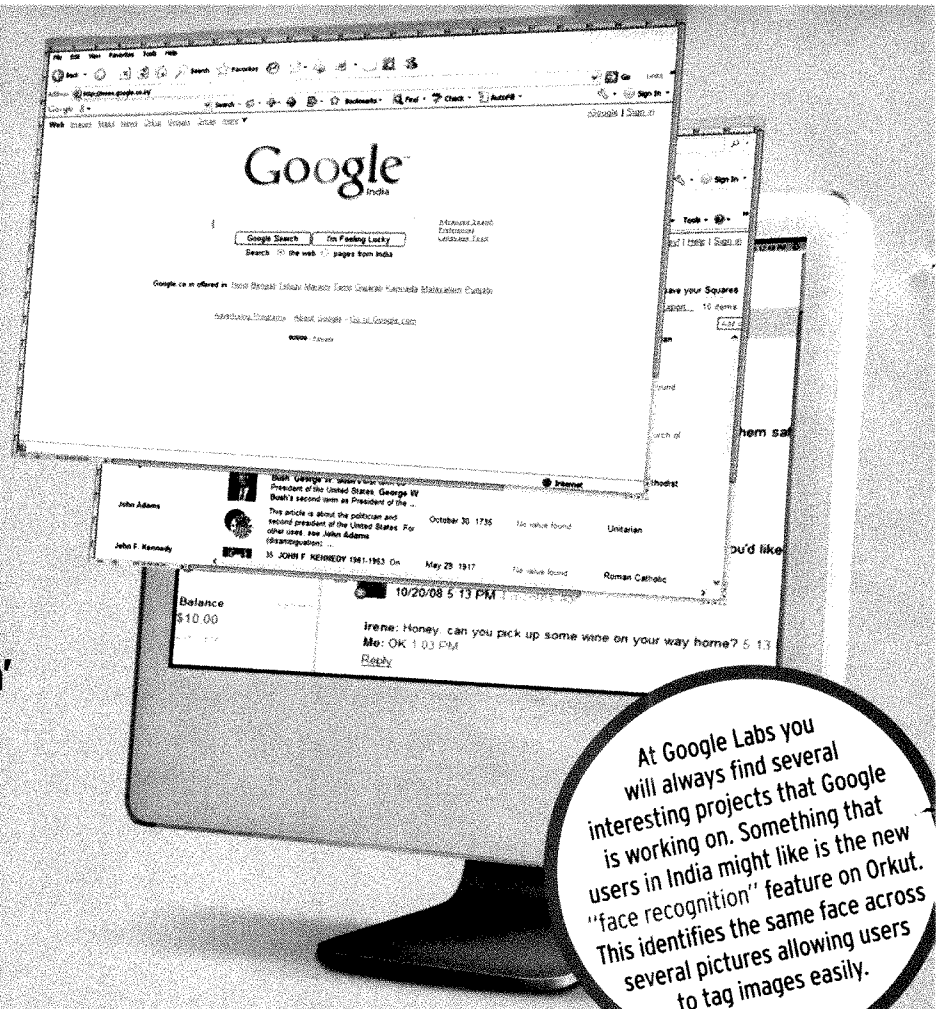
In addition, Google provides Indic language support for people who use Gmail and Google's blogging service, Blogger. This service allows users to write a passage in the Roman script and the software created by Google will convert it into Hindi and seven other Indian languages. "There are too few Indic language keyboards available, but look at movie posters. They all have the name of the movie written in English, even if it is a Hindi or Tamil movie," says Ram. Then, there's Google's mid-July launch of a voice-based search for India's estimated 400,000 BlackBerry users, which uses a voice-recognition engine optimised for Indian voices.

Google might seem like an impregnable fortress in the Internet space, but distant dust clouds of an approaching army signal the first real duel that the company will soon be forced into. Microsoft's new search engine Bing has already entered the market and may corner close to 20 per cent of it in the US by next year, according to some analysts. In India, both Yahoo! and Microsoft's MSN have spent the last few years bolstering their search advertising teams—Yahoo! even bought online-advertising network Tyroo in India—and a recent Yahoo!-MSN partnership means that Bing will become Yahoo's preferred search engine. Considering Microsoft's mammoth war-chest, which it willingly deploys in pursuit of rivals, a Google-Microsoft face-off is a sure bet.

Still, Google is in a unique position to rule over the Indian market. The company has a treasure trove of trial-and-error lessons from its other regions to lean on. Moreover, the fact remains that Google has excelled in devising products for the one category likely to soar above others in India—namely the mobile phone—simultaneously with the PC. This is guaranteed to attract even more consumers to its sites for some time to come and continue Google's reign as the well-entrenched king of the Indian Internet domain.⊙

FRESH FROM THE LAB

Google's 'launch early, launch often' philosophy means it's continuously introducing new products and refining old ones. Here's an update.



At Google Labs you will always find several interesting projects that Google is working on. Something that users in India might like is the new "face recognition" feature on Orkut. This identifies the same face across several pictures allowing users to tag images easily.

Google Voice

What is it?
Think of it as a phone number provided by Google that ties together all your other numbers.

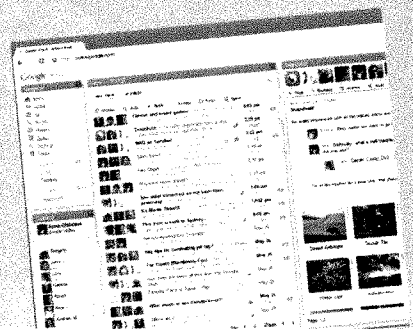
User Benefits:
No more multiple devices or lost calls. Voice also comes with attractive pricing. The service will allow you to store all your calls and voicemails online.

What does Google get out of this?
This is Google's first "official" foray into telecommunications, and like the Internet, it wants to be the dominant service provider here as well.

Is it available here?
No, it is currently only available in the US. Current rules do not allow Mobile Virtual Network Operators in India.

Stronger Search

What's New?
It is all over the place. As Google faces up to new competition from Microsoft's Bing, it has made its search more customised. Users who are logged into Google can "edit" their search results, pushing up what they find important and deleting inane ones. They can also comment on search results. This human interaction makes Search results more dynamic and allows Google to mine data as well as refine its algorithms.



Google Wave

What is it?
Wave tries to integrate all your online communication—e-mail, cha voice—into one screen.

Huh?
Think of it like this: If you and your colleagues are putting a project together, you can work simultaneous using Google Wave, creating content, adding pictures and embedding video all at once, in real time. If your boss does not like the final draft, he or she could move the timeline back and fort to see how the project progressed.

Is it available yet?
Google Wave is currently an 'Alpha' release, which means very, very few people have access to it. But expect a "Beta" launch by 2010. ⊙

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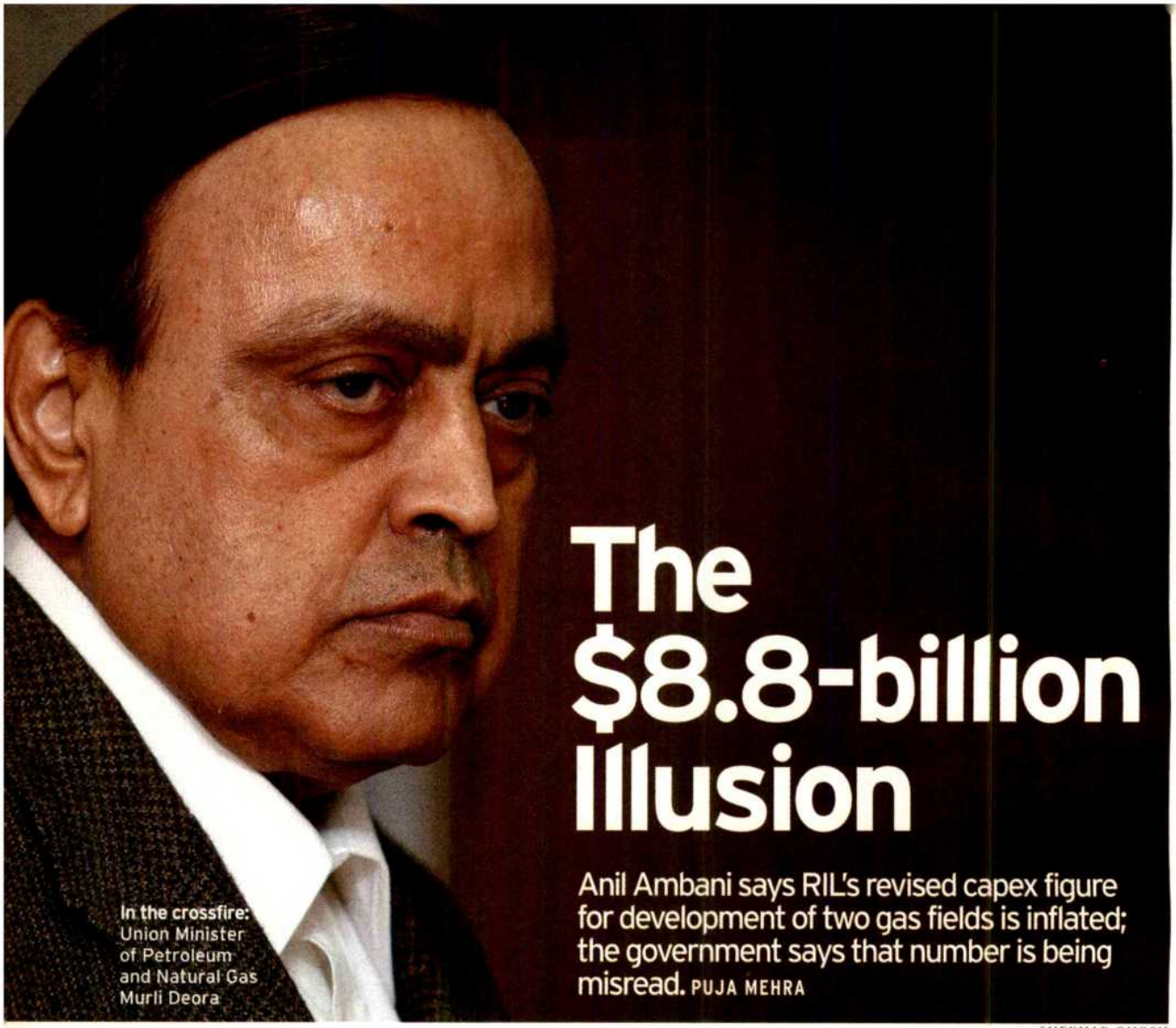


The $8.8-billion Illusion

Anil Ambani says RIL's revised capex figure for development of two gas fields is inflated; the government says that number is being misread. PUJA MEHRA

In the crossfire: Union Minister of Petroleum and Natural Gas Murli Deora

SHEKHAR GHOSH

HALF-TRUTHS AND STATS

$8.8 bn is merely a field development plan estimate that is not what is recoverable.

$6.6 bn* is the actual expenditure, of which RIL has recovered $48 mn*.

$53 mn* is the actual sales revenue.

$0.529 mn is the government's share of profit petroleum** for 2008-09.

Rs 46.31 cr# is the royalty received by the Government.

*Till March 31, '09 for gas field D1 D3 #Till May '09
**Revenue minus royalty minus opex minus capex

The Ambani vs Ambani battle has now well and truly become the government's battle, too. Anil Ambani has raised questions about the government's fairness in two ways: One, by disputing the capital costs of KGD6 Basin (which are approved by the government) and two, by claiming there can easily be dual pricing of the gas, which will ensure that his group company Reliance Natural Resources Ltd (RNRL) will get gas at $2.34 even as the government's profit share is protected. *BT* spoke to V.K. Sibal, Directorate General of Hydrocarbons (DGH), to get the official view on critical issues of cost, price and eligibility of gas for RNRL.

Costs are of Two Types: Incurred ($6.6 bn) and Estimated ($8.8 bn)

Sibal clarifies that the $8.8 billion figure—which the Anil camp says is the government-approved capital expenditure for Reliance Industries Ltd (RIL) to produce 80 million metric standard cubic metres a day (MMSCMD) of gas, and which is apparently 'gold-plated' and designed to favour RIL—is only an estimate. "The Product Sharing Contract (PSC) does not provide for recovery of estimates of contractors," the DGH says. A field development plan estimate, such as $8.8 billion, at any point depends on the projections of international prices of steel, rigs and various inputs. Any changes

in the prices or the projections of the prices of inputs and services can inflate or deflate it.

Naturally, it is not what is recoverable. "The whole idea of putting out an estimate is that the contractor should be able to determine if the field is commercially viable or not," explains Sibal. "As long as the contractor is confident of a field's commercial viability, its cost estimates are acceptable since they make no material difference." He says that $8.8 billion is only techno-economic data and not cost revcoverable.

What, in fact, is audited and approved for cost recovery for a contractor is the actual cost incurred according to the PSC. The exploration and field development costs incurred during a year are audited in the subsequent year after which they become eligible for recovery. For the D1 and D3 gas fields, so far, RIL has spent $ 6.6 billion on exploration and development. Of this, RIL has taken a recovery of $48 million.

Is There Scope to Inflate Costs?

Sibal says the total discovered reserves of the gas in the field have also gone up from 3 trillion cubic feet (TCF) to 14 TCF. Production as per the revised field development plan has jumped from 40 MMSCD per day to 80 MMSCD per day. Sibal clarifies that if costs go up then not only will the government's share in revenue fall, the contractor's share will diminish, too. Sibal doesn't see any scope for inflating costs. "The PSC clearly lays down the procedure for hiring services and equipment, including the heads of expenditure allowable. These are taken on through international competitive bids and, of course, all the expenses are subsequently audited as per the PSC twice—once by the contractor's auditors and then by external auditors appointed by the government. Additionally, in this case, the CAG has undertaken the third audit," retorts Sibal.

The moot point, however, is whether the audits did take place at all. There were reports suggesting that the office of the Comptroller and Auditor-General (CAG) had stated that the DGH's claim that RIL's capex had undergone three audits were not true. Sibal, however, disputes that and proclaims that the CAG itself has audited D6 over the last one year and the final report is awaited. "In fact, a CAG request for some additional information has just reached us, which we will soon provide. After an uproar, the government had also got RIL's estimates validated by two independent experts that were appointed through international competitive bids. Further, Goldman Sachs has independently compared these estimates with 32 comparable projects worldwide and found D6 to be the most cost-effective operation," he adds.

The audits by independent experts, he points out, were done through international bids in accordance with the PSC and the reports are available.

The Costs Will, in any Case, Have no Bearing on Price

"Petroleum products are not priced according to the cost of production. Rather the prices are benchmarked to the prices emerging from international markets," says Sibal. "Thus, the cost of producing gas from D6 has no bearing on its price." Since there is no international market for gas, the government has barely notified a formula for determining the price at any given time. For the first five years, this price comes to $4.2 per MMBTU.

The price notified by the government was arrived at by calling in bids from potential buyers that included the ADAG group. ⊙

BHASKAR PAUL

MORE LITIGATION, ANYONE?

Mukesh Ambani has submitted to the courts that he had not informed either the Board or the shareholders of RIL of the details of the MoU with his younger brother over the division of the Reliance empire. Does the non-disclosure constitute a violation of the rights of RIL's shareholders and Board members? Corporate Lawyer Diljeet Titus, proprietor of Titus and Co. Advocates, provides some leads:

INVESTIGATION: The Company Law Board (CLB) can order an investigation into the affairs of RIL under Section 235 of the Companies Act, 1956, if at least 1/10th of its shareholders apply for it. Non-disclosure of the material clauses of the Gas Supply Contract (GSC) will be construed as an act that defrauds the shareholders, creditors, or any other person.

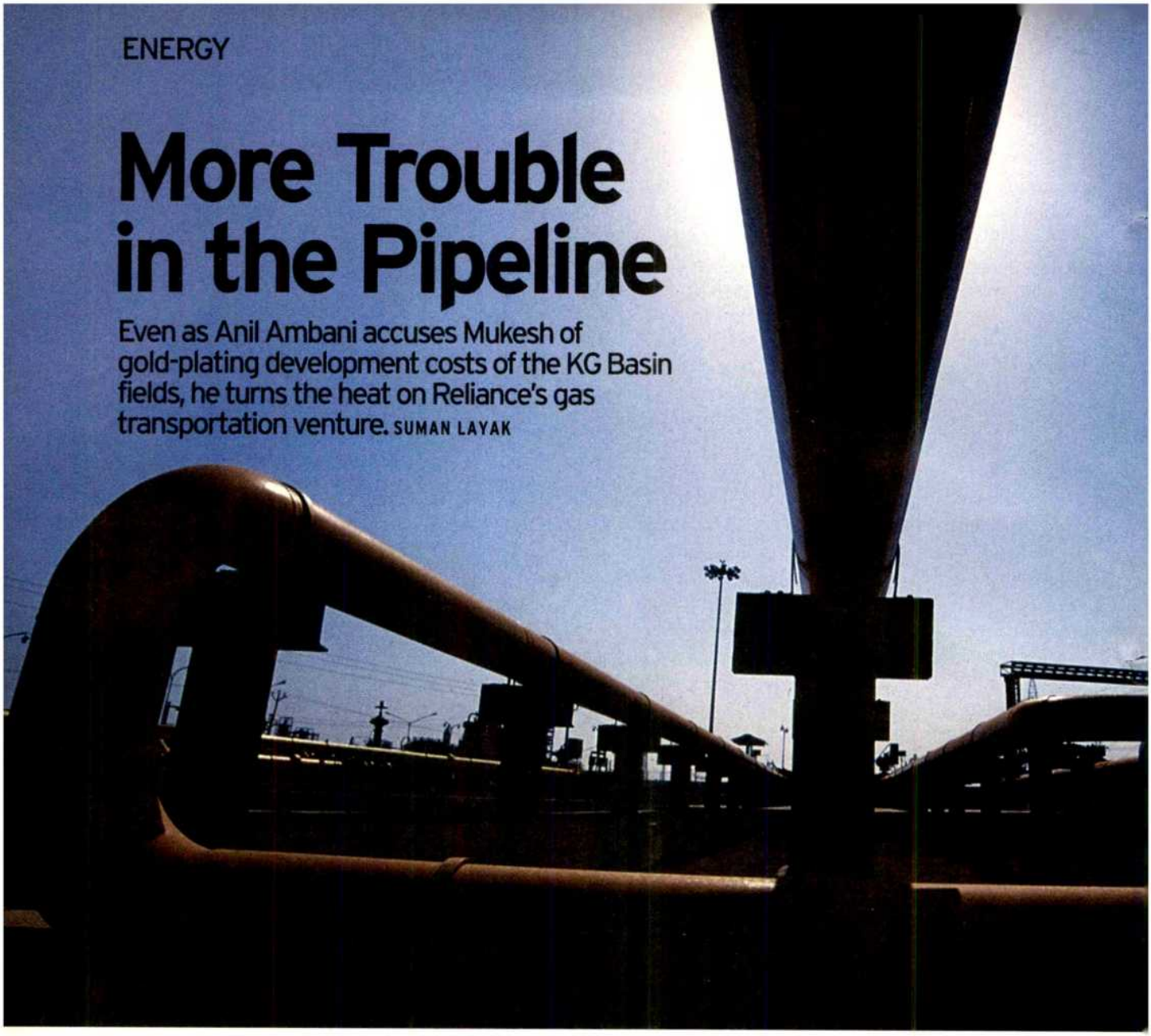
OPPRESSION AND MISMANAGEMENT: The directors, including Mukesh Ambani, owe a fiduciary duty to RIL, which they can exercise. The fiduciary relationship requires them to act in the best interest of RIL and not for the promotion of any group interest or individual interests.

BREACH OF RIL'S CODE OF CONDUCT: Mukesh Ambani's failure to disclose his interest in the GSC can be regarded as breach of a Code of Conduct, which clause 49 of the listing agreement requires public listed companies to lay down.

VIOLATION OF THE RIGHTS OF THE BOARD: Failure to disclose their interest, whether direct or indirect, in a contract and seeking the Board of Directors's approval for it within three months can be a violation of Section 297 of the Companies Act, 1956.

More Trouble in the Pipeline

Even as Anil Ambani accuses Mukesh of gold-plating development costs of the KG Basin fields, he turns the heat on Reliance's gas transportation venture. SUMAN LAYAK



The rumblings are there for those who care to listen and this time, more than allocation or price of gas, it has to do with transportation and the cost of it. For Mukesh Ambani, the task doesn't end after getting the gas out of the deep seas. He's also got to transport it to the end users. For this purpose, he plans to lay some 8,700 km of pipelines across the length and breadth of the country. He's got the government's nod for most of these projects, although, till date, only the East West Pipeline (EWPL), which runs across 1,386 km and has been built at a cost of Rs 18,000 crore by Mukesh Ambani-controlled Reliance Gas Transportation India Ltd (RGTIL), is operational.

The premise for the pipeline controversy is something known as cost-plus, which, simply put, allows the operator to recover his costs and then make a decided percentage of that as profit. In the pipelines business, the operator is allowed to recover 12 per cent of capital employed per year. He is allowed a 3 per cent increase every year.

The EWPL has been built to take the gas to Gujarat from the KG Basin off Kakinada, in Andhra Pradesh. RIL has submitted a tariff plan to the Petroleum and Natural Gas Regulatory Board and is now charging that tariff for carrying gas to customers outside Andhra Pradesh even as the board reviews its application.

The problem here is not too dissimilar with the gas pricing dispute: RIL had proposed a much lower tariff to NTPC Ltd for gas transportation when it had bid for its gas supply contract—just as it had bid a much lower price

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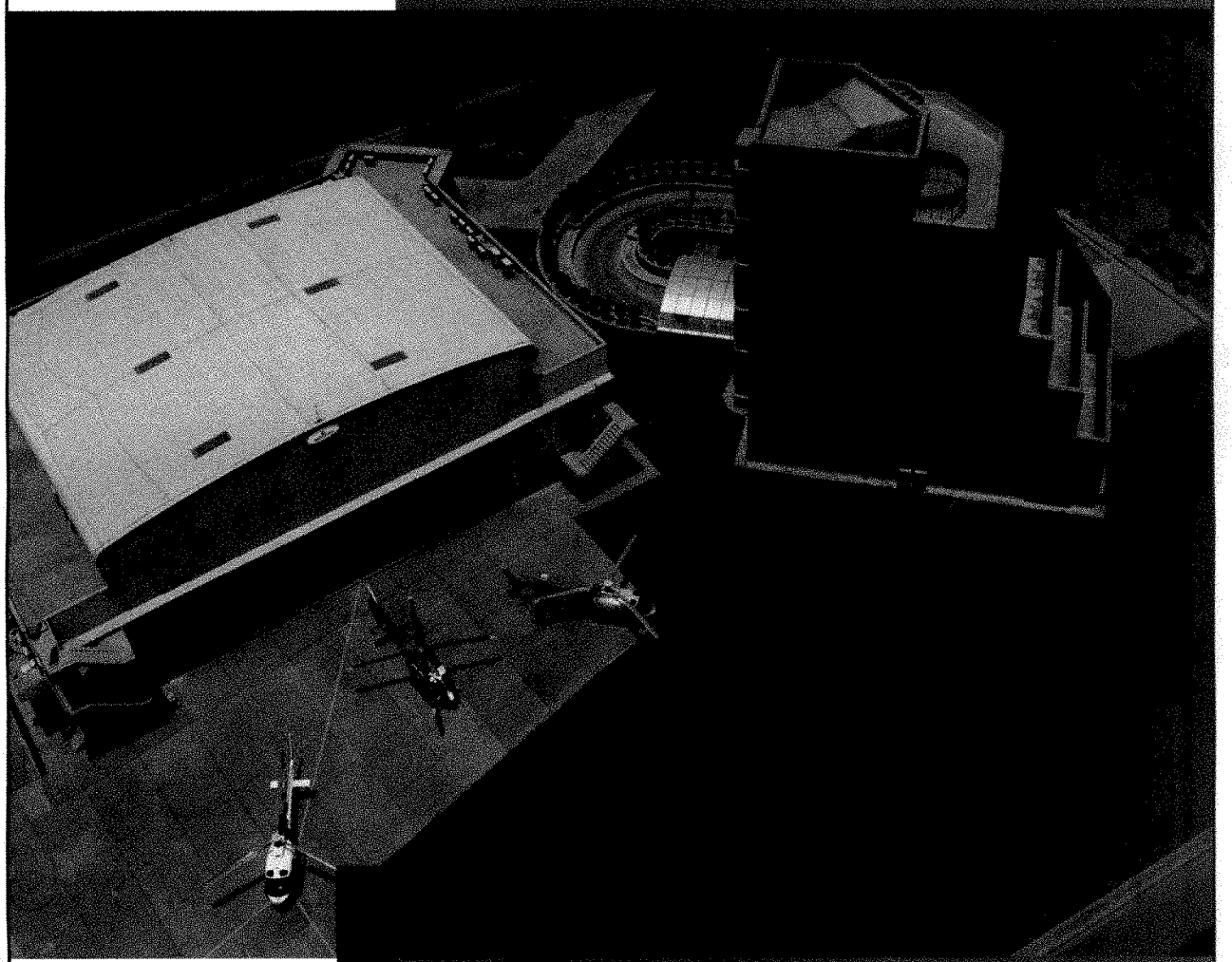

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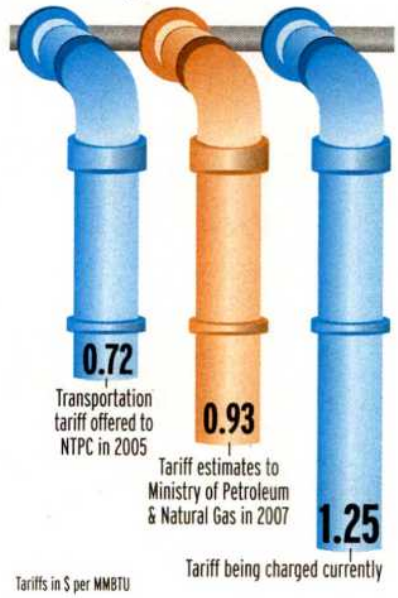
for the gas itself. Documents with *Business Today* show that RIL had initially proposed a charge of carrying the gas for around 48 cents per million British thermal units (MMBTU), along with a marketing and risk management margin of 36 cent per MMBTU. In May 2005, RIL sought to bring in 24 cents of this margin into the main tariff, citing increase in steel prices and revised the tariff to 72 cents from 48 cents, reserving another 12 cents for marketing and risk management margin. Today, in 2009, RIL is charging $1.25 per MMBTU transportation charge along with a 13.5 cent per MMBTU marketing margin. A speech that Anil Ambani made at the annual general meeting of Reliance Natural Resources Ltd (RNRL) touched upon this tariff issue and he wondered aloud why it should be as high as 30 per cent of the cost of the gas at $4.2 per MMBTU.

The chasm between 48 cents and $1.25 per MMBTU means a difference of almost 35 paise per unit of electricity, if this gas is used to produce power. Somak Ghosh, Head (Corporate Finance), YES Bank, says: "Even if the Dadri plant (Anil's proposed 7,480 MW power unit) was on the coastline, the prospect of importing gas would have meant setting up a terminal. That would have added to the cost of the project and subsequently to the cost of gas and thereafter the electricity tariff. The ongoing discussions are very important from long-term objective to deliver power at an affordable price."

So, how has the tariff climbed so high? Sources indicate that in 2007, RIL had told the Union Ministry for Petroleum and Natural Gas that it would charge 93 cents per MMBTU for transportation. In contrast, Gail India Ltd had offered a tariff of 39 cents per MMBTU to set up the EWPL in 2004. Today, it charges a tariff of around 58 cents per MMBTU (Rs 1,150 per thousand cubic metres) on its Hazira Vijaipur Jagdishpur (HVJ) pipeline, which has a similar length as the EWPL. But such data can be deceptive. The counter argument can be that GAIL has proposed a tariff of 88 cents for its 572-km-long Dahej-Uran-Panvel pipeline and the HVJ pipeline (with the 58 cent tariff) was built two decades ago.

IS THE HIGHER TRANSPORTATION TARIFF UNJUSTIFIED?

The Anil camp thinks so.



Tariffs in $ per MMBTU

RIL'S PIPELINE PLANS

PIPELINE	LENGTH (KM)
East West Pipeline (EWPL)	1,386
Chennai–Tuticorin	600
Kakinada–Basadbpur–Bardhaman	1,100
Chennai–Bangalore–Mangalore	652
Bhopal–Cuttack	1,100
Jamnagar–Bhopal	820
Hyderabad–Goa	651
Kakinada–Chennai	600
Shadol–Phulpur	350
Hyderabad–Nagpur–Bhopal	800
Hyderabad–Hassan	650
Total	8,709

Whilst EWPL has been completed, others are planned projects for which govt approval has been obtained, except for H'bad-Nagpur-Bhopal & H'bad-Hassan
Source: Goldman Sachs report on RIL dated March 24

Another question that needs to be answered is why is gas transportation tariff pegged in dollars? That is almost like making the Indian consumer pay for foreign exchange fluctuations in their electricity bill, even for a pipeline which travels only through India. The question can be asked about the natural gas pricing, too— why does it need to be pegged to the dollar once the price is determined?

Both RIL and Reliance ADAG were unavailable to answer any questions on record. But sources point towards the prices of steel and how they peaked in the last two years when the pipeline was built. And they add that if the dollar was moving southwards at this time, nobody would be asking why gas transportation costs are pegged to the dollar.

RIL-baiters have also been questioning the shadowy way in which the EWPL project was shifted from RIL to a privately-held company owned and controlled by Mukesh. This was done after the licence and permissions were granted to the RIL subsidiary. One answer: "RIL was executing three other projects namely retail expansion, KG Basin exploration and the second Jamnagar refinery under the then Reliance Petroleum at the time. The Board thought it best to not undertake another risky venture under the RIL umbrella." But then, as the rival camp will be prone to ask: Why then was RIL lending its financial muscle to complete this project? The defence is that only Rs 2,000 crore has been paid by RIL to RGTIL as advance payment to book space in the pipeline and this may be converted to preference shares in future. The rest is Mukesh Ambani's own cash. The sparring goes on. ⊙

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AMIT KUMAR

King's Gambit

Waiting for the good times: Kingfisher's Vijay Mallya

The problems with Kingfisher Airlines keep getting worse with every takeoff, forcing it to look for an urgent cash injection. Can it fly out of the turbulent zone?

K.R. BALASUBRAMANYAM

Billionaire Vijay Mallya had probably decided enough was enough when he led the initiative by airlines to call a strike and ground all aircraft on August 18 to protest the lack of help from the government. The strike did not happen, but it showed the desperation of the the 54-year-old liquor baron, who had become a frequent flyer to Delhi over the past year in his bid to get government help for the industry.

As Chairman of Kingfisher Airlines, he was till June 2009 India's largest airline operator by market share—and its biggest private sector victim

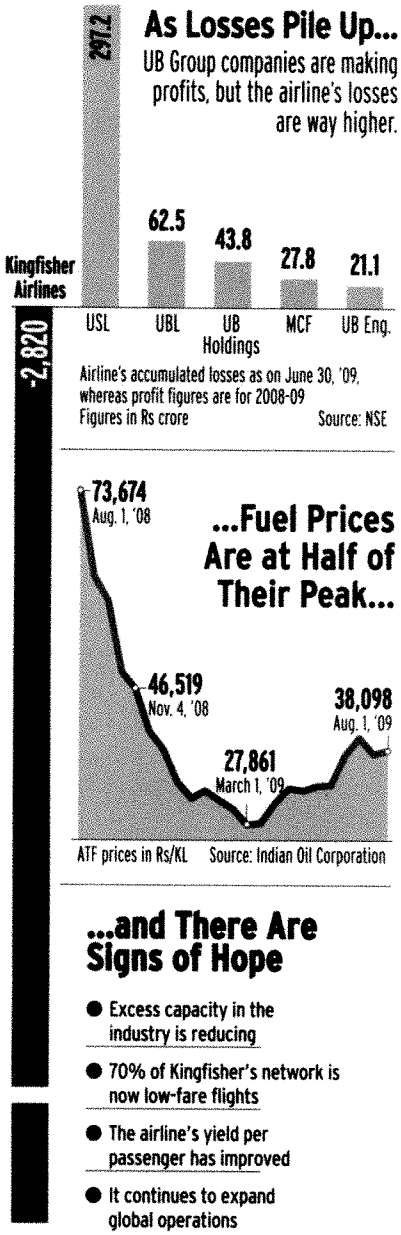
too. But, even in August 2008, when fuel prices had hit their peak, he had not given up hope. When *BT* met him in November (*Saving Kingfisher*, issue dated December 14, 2008), he had said his airline would clear its accumulated losses in three years. And he maintained his scale of operations even as the business climate worsened following the financial meltdown.

A year later, Kingfisher has more red on its balance sheet than on the livery of its crew and aircraft, what with the surge in fuel costs, the reluctance of state governments to lower sales tax rates on fuel and rising airport charges.

The only good thing: the government has appreciated the case for cheaper fuel. A group of ministers (GOM) will now look into the high base price of aviation turbine fuel (ATF) in India compared with international benchmarks and high sales tax rates.

Kingfisher reported an operating profit of Rs 18 crore in the first quarter of the current fiscal, but the net loss was Rs 242 crore, against a loss of Rs 1,609 crore in the full year 2008-09. As of end-June, the airline had an accumulated loss of Rs 2,820 crore. No one knows how it is servicing its loans or paying airport charges and fuel bills. Mallya is now trying to raise Rs 500 crore by way of equity—either a rights issue or an FPO or depository receipts.

Does he have any chances of survival?



Flying in a Thunderstorm

As things stand now, the combined net profit of his five listed UB Group companies last year was less than one-third of Kingfisher Airline's losses. Over 70 per cent of Kingfisher's network has now gone low-fare—a model Mallya had initially pooh-poohed.

In the financial year 2008-09, passengers flown across airlines declined 10 per cent, but the capacity shrank only three per cent. In January-March this year, the industry cut capacity by 11 per cent—but passenger traffic fell more steeply, by 12 per cent. As Wolfgang Prock-Schauer, CEO of rival Jet Airways (which edged past Kingfisher in the market share in July), told an analyst call on May 22: "Currently the industry is operating at seat factors of mid-sixties and yields have been on the decline due to low occupancy in the business class."

So it was not surprising that the first thing Giovanni Bisignani, Director General and CEO of the International Air Transport Association (IATA), did on Praful Patel's appointment as Civil Aviation Minister in the new government was to write to him calling for immediate relief to Indian carriers.

R. Ramakrishnan, Partner at Bangalore-based audit firm R. Ramakrishnan & Co., reckons that Kingfisher's actual loss for 2008-09 should be Rs 2,747 crore after factoring in the change in accounting treatment. As the losses mounted, so has the debt. Last year, the airline paid Rs 696.23 crore as interest; this year, it has so far paid Rs 170 crore.

Going by the interest payment, Ramakrishnan estimates the airline's debt to be no less than Rs 7,000 crore. Kingfisher's latest balance sheet was not made public at the time of filing this report.

For shareholders and Mallya, the big question is: how long can the group bear the airline's losses? Apart from Kingfisher, Mallya has five listed companies in his group. These companies, including the flagship United Spirits (USL), reported a combined net profit of Rs 452 crore last year. Add Kingfisher's losses, though, and this turns into a loss figure almost four times the profit.

Then, Mallya has pledged half the promoters' shares in the airline and about 15 per cent of those belonging to UB Holdings to keep Kingfisher airborne. There is a silver lining: Kingfisher has a deferred tax asset of Rs 1,171 crore as at March-end from unabsorbed depreciation. But it can't realise this until it starts making profits.

"In that sense, it's not an asset to consider for net worth," says Ramakrishnan. "If the airline losses continue, the other UB Group concerns will feel the suffocation."

He says any valuation that Kingfisher commands in the market comes from its market share and brand value, and not from its net worth, now in negative territory.

Deccan Cargo Chairman Capt. G.R. Gopinath, the low-cost pioneer who had to sell out to Mallya, finds

the approach of the airlines flawed. According to him, only two per cent of Indians travel by air, and no amount of capacity addition will suffice if they can get even a small percentage of the rest to fly. "Globally, it is the low-cost airlines that are driving growth. They are run efficiently and are profitable," says Gopinath.

But the Good News Is...

First, in the April-June period, the industry's capacity shrank by eight per cent while passenger de-growth was five per cent. That means fewer seats—and better yields. Then, fuel prices have almost halved now from their peak of Rs 73,674 per kilolitre (Mumbai) in August 2008. "If rationalisation of capacity continues and passenger traffic improves, yields will go up in the domestic market. An airline's profitability depends on how aggressively it is doing it," says Hemant Patel, an analyst with Enam Securities.

Kingfisher has been busy making the best of this situation. Even as it cut capacity where necessary, it has turned 70 per cent of its network into low-fare flights. As a result, Kingfisher's yields or the rupee per revenue passenger km, progressed from Rs 4.90 in January-March to Rs 5.70 in April-June, industry sources say. And the loss of Rs 242 crore in the first quarter came right after the Rs 554-crore loss it reported in the quarter-ended March.

Mallya declined to comment for this story. But a Kingfisher release had said that, despite a sharp cut in capacity, its first quarter revenue was only six per cent lower sequentially on account of higher yields. Kingfisher's interest burden has also come down to Rs 170 crore in the latest quarter from Rs 261 crore in January-March.

Most importantly, Civil Aviation Minister Praful Patel has acknowledged the fact that fuel accounts for more than 40 per cent of the operating cost of most domestic airlines against the international average of 20-25 per cent. Kingfisher owed over Rs 950 crore to the state-run oil companies as of July.

DEEPAK G. PAWAR

"If the airline losses continue, the other UB Group concerns will feel the suffocation"

R. Ramakrishnan, Partner, R. Ramakrishnan & Co.

The airline, meanwhile, has stepped up its global operations. On August 14, it launched daily flights between Kolkata and Bangkok. After the launch of its first international route with a Bangalore-London flight in September 2008, Kingfisher has expanded into Colombo, Dhaka and Dubai.

Mahantesh Sabarad, Senior Analyst with Centrum Broking, does not see much risk from these new routes as, he says, they are more like expansion of domestic network. "The Gulf sector is picking up faster from its lows since this summer and South-East Asia is somewhat insulated from the global turmoil. These two sectors do offer avenues for growth," Sabarad says.

As for the performance of the UB Group's liquor flagship, a recent IDFC SSKI report strikes a positive note though with a caveat that higher molasses prices could impact near-term profitability. Says Nikhil Vora, Managing Director of IDFC SSKI: "Most of the other operational businesses in the UB Group are in the comfort zone. There is an overcapacity in the domestic aviation, but given the low capital environment which almost everyone in the industry is up against, we think that incremental bleed in the sector is now on the way south."

Safe Landing

An analyst says Mallya's airline has cut capacity, gained market share and improved its yield even during the recession. "But the airline's legacy costs are so huge that all this has not made any significant impact on its finances. Instead, its losses are compounding," he says. According to Vora, Kingfisher has to get its funding plans going, either directly or via UB Holdings, to protect its domestic turf and power its international offerings.

So while the weather seems favourable for Mallya's plan to tap retail investors (Kingfisher's scrip has climbed from Rs 22 in November 2008 to Rs 50 at close on August 14, 2009), the skies are not clear yet. As Vora of IDFC SSKI points out, Kingfisher still faces a plateau in passenger growth and only a defined funding plan can keep it flying. ⊙

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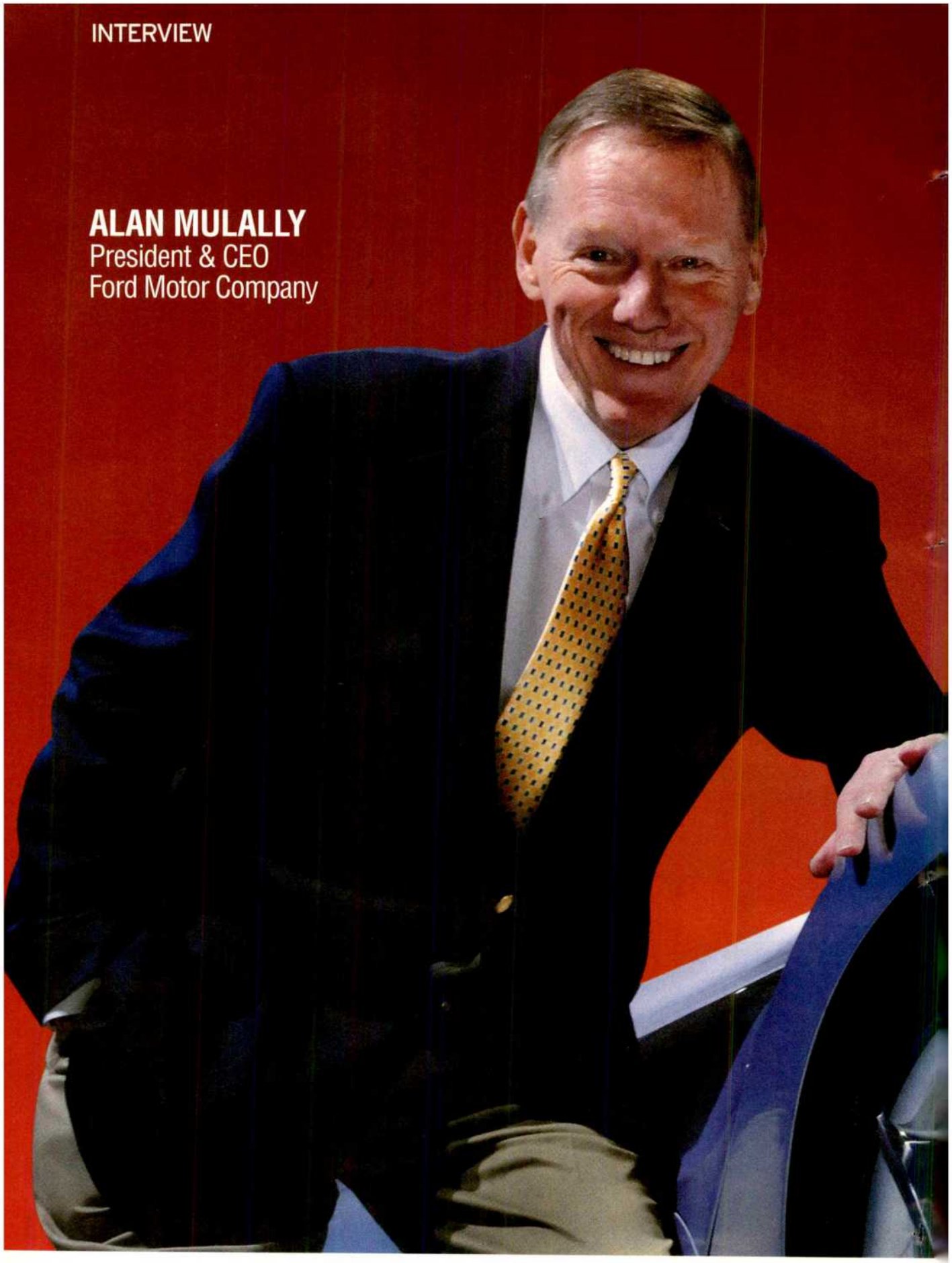

ALAN MULALLY
President & CEO
Ford Motor Company

"FOR SMALL CARS, INDIA IS THE CENTRE OF THE UNIVERSE"

Scepticism ran high within and outside Ford when William Clay Ford appointed **ALAN MULALLY**—*President and* CEO, *Boeing Commercial Airplanes—the President and* CEO *of the ailing carmaker in September 2006. "What does an airplane guy know about cars?" people wondered. Three years down the line, his coming on board appears to be the best thing that could have happened to Ford. By moving quickly, Mulally raised $23.5 billion (when the financial markets were still robust) to fund the restructuring plan that included matching production and demand, striking an important wage deal with the unions and investing in new products. He also sold marquee brands such as Aston Martin, Land Rover, Jaguar and pared Ford's stake in Mazda. These actions ensured that Ford—unlike its Detroit rivals—did not have to suffer the ignominy of dipping into federal funds for survival after the global markets collapsed following the bankruptcy of Lehman Brothers in September last year. His informal candour and easy-going nature hide a shrewd brain. Speaking to* **BUSINESS TODAY'S N. MADHAVAN** *in his 12th floor office at Ford's world headquarters in Dearborn, Michigan, Mulally outlined Ford's transformation and its India game plan. Excerpts:*

Your testimony before the Senate Committee. It was one hell of a confession...

(Laughs) It was the second testimony and I had five minutes of uninterrupted time to describe Ford's entire transformation. Henry Ford had a vision of safe, efficient and affordable transportation for everybody. He wanted Ford to operate all around the world by creating strong businesses and great vehicles in every country. So when I walked in, Ford was everywhere but what he (Henry Ford) did not imagine was that they (businesses in different countries) would work very independently and not really collaborate.

Ford also had many brands. We were kind of known as "a house of

Alan Unplugged

The Ford CEO's frankness in laying bare his company's problems in the US at the Senate hearing last year surprised many. This is what he said:

It used to be that we had too many brands. Now we have a laser focus on our most important brand: the Ford Blue Oval.

It used to be that our approach to our customers was: If you build it, they will come. Now we are aggressively matching production to meet the true customer demand.

It used to be that we focussed heavily on trucks and SUVs. Now we are shifting to a balanced product portfolio, with even more focus on small cars.

It used to be that our labour costs made us uncompetitive. Now we have a ground-breaking agreement with the UAW to reduce labour costs.

It used to be that we operated regionally. Now we are leveraging our global assets, innovation, technology, and scale to deliver world class products for every market.

Excerpted from Mulally's testimony before Senate Committee on Banking, Housing and Urban Affairs on December 4, 2008

brands". We had purchased Jag Land Rover, Aston Martin, Vo Mazda and, of course, we had Ford brand, too. You can ima how difficult it is to be world cla all of those simultaneously. We also losing money and giver the complexities, there were enough actions in place to turn company around.

On the other side was phenomenal loyalty and goodw Ford. We made the #1 selling tr in the US for 34 years. We made g cars in India, Asia-Pacific and Eur which the Americans have never because we just did not make here. So, we had a lot of stren but a couple of very real opportun

How much of the transforma has happened?

We divested most of the brands, p our weight together and lever our assets worldwide. We ma commitment to bring best-in-c products whether small, mediu large or car, utility vehicle or t to every market around the wor

We came out with a plan t back to profitability, accelerate new products, borrow some m to finance it and work together. goal, of course, was to deliver a l term growing company for the go all of us. We are like three or four y ahead of where I thought we wi We are not taking the taxpay money and (are) doing this on own. It is a pretty exciting thi would say we have completed 50 t per cent of the work. In fact, w make an operating profit in the quarter of 2008. Then the global s down happened. Industry went d from 17 million in the US to a over 9 million—an incredible f volumes. So, we paddled even f and took more action. We hope t back to profitability in 2011.

US car manufacturers appea to have lost their way on the

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Boeing's 767/777/787 came about. When the cycle turns around and the economy revives, you are there with the best products in the world.

Ford's plan is very similar. We wanted to restructure and that costs money. We also wanted to accelerate new product development. We went to the market, pledged our assets and borrowed $23.5 billion (Rs 1,12,800 crore). We are making our investments and the products are coming on line. We have already paid back $10.1 billion (Rs 48,480 crore) of the debt.

Do you think Ford will have enough cash to ride out this downturn and not touch the $9 billion (Rs 43,200 crore) federal line of credit?

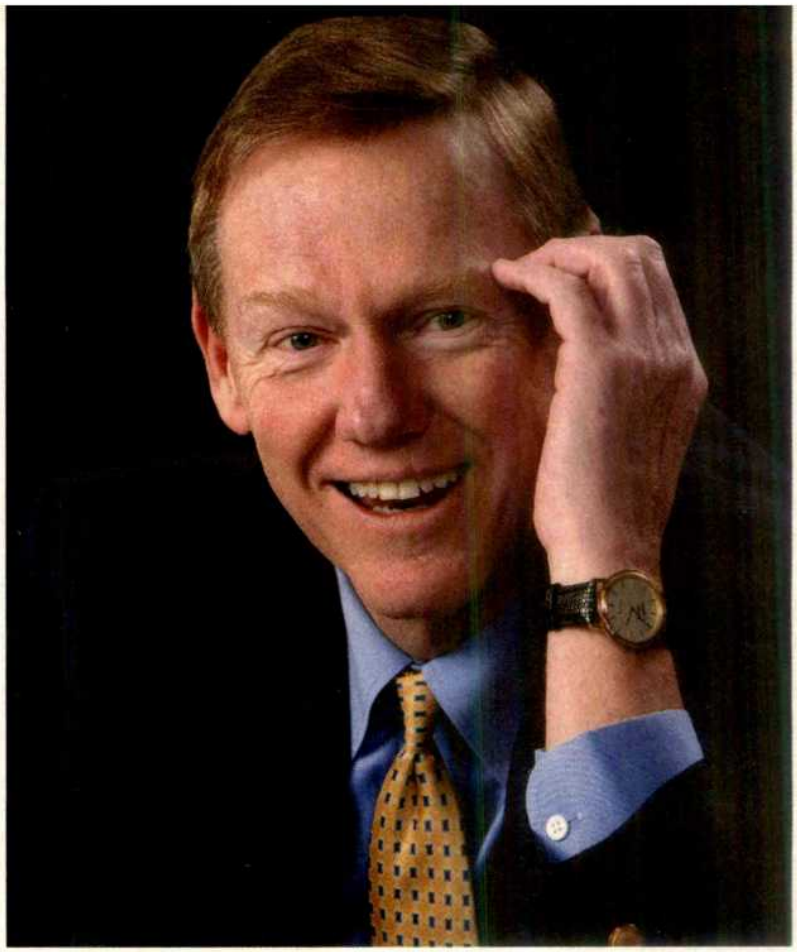
Absolutely. We have told the US government that we will not need any bridge loans from them. After we borrowed money in 2006, we have made a lot of improvements on productivity and quality so we even have a cushion in case the world slows down further. We are in good shape.

The world is gravitating towards small cars...

The US is very unique in that it likes bigger vehicles. Most areas around the world do not have the mass and the openness, the low fuel prices and interest rates that the US has had. But the future of the automobile is going to be in the small cars worldwide with higher quality and more features. It is not going to be small is cheap but small is beautiful and high quality. If you look at the entire world, 60 per cent of all the vehicles globally will be relatively of a smaller size, about 25 per cent will be medium size and 15 per cent will be large cars. We will be world class in every segment and market.

Ford is investing over $2 billion (Rs 9,600 crore) in emerging markets such as India, China, South Africa and Thailand...

To me, it is very clear that if Ford is to be an industry leader, we absolutely need to serve all the major markets around the world. Going forward, a third of the global market will be Americas, about a third will be Europe, Africa and Russia and a third will be Asia-Pacific led by India and China. It makes sense to start with India and China and use all your global resources so that you can bring the very best values to the customers in these markets.



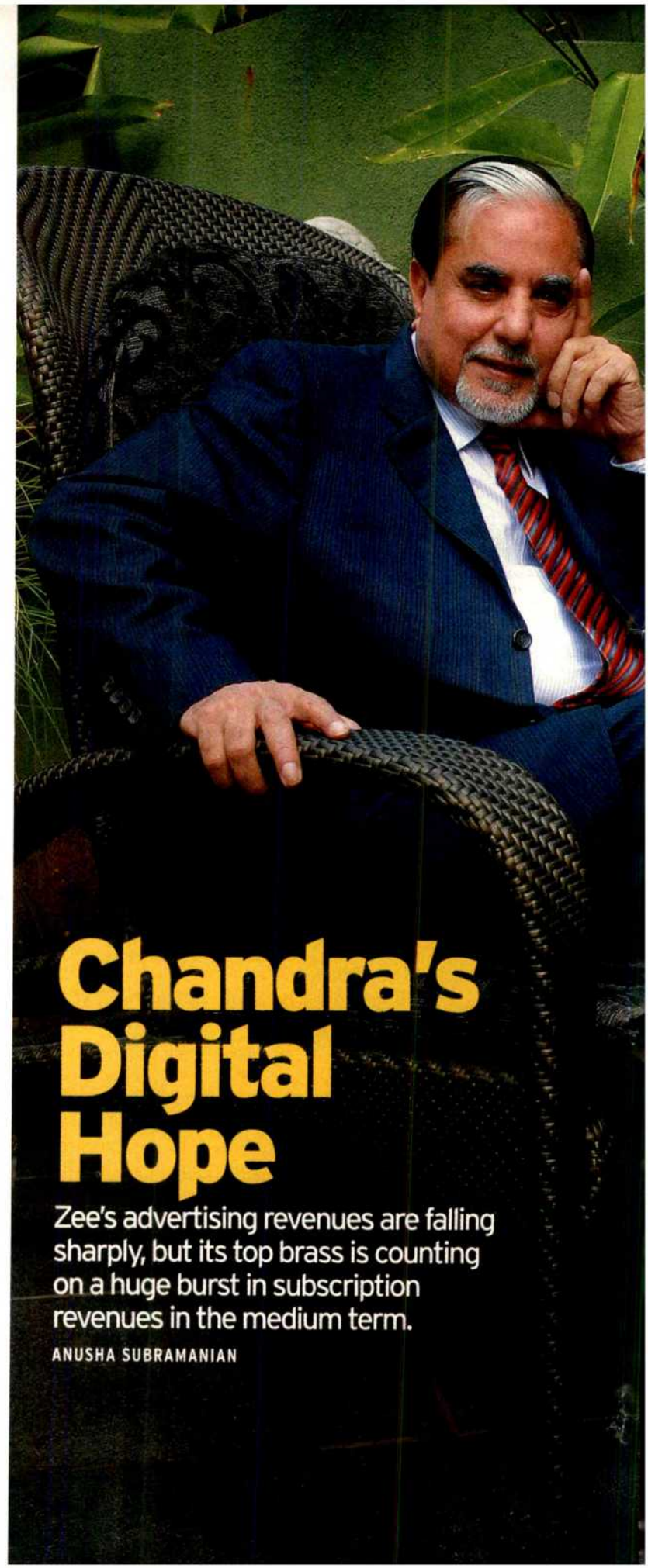
"GOING FORWARD... A THIRD OF THE GLOBAL CAR MARKET WILL BE ASIA-PACIFIC LED BY INDIA AND CHINA"

Finally, a small car for India...

That is the biggest challenge and biggest opportunity. As I said, if the whole world is going to be 60 per cent small cars, the solution for India—making a wonderful high quality small car and making it efficiently—will be the foundation for rest of the world. For small cars, India is the centre of the universe.

Ford and Hyundai entered India in 1996. The Korean car major has already made India its global small car hub. Do you think Ford has been slow off the block?

We had to deal with areas that needed attention. As the US slowed down, we did not have all the vehicles that we needed here. We also needed to get profitable and this is where we made our big investment. You will see an accelerated development of the Indian business. We are investing $500 million (Rs 2,400 crore) in India—to launch a small car, double our capacity from one lakh to two lakh units, expand engine production capacity from 60,000 units to 2.50 lakh units—for mutually beneficial growth. ⊙



Chandra's Digital Hope

Zee's advertising revenues are falling sharply, but its top brass is counting on a huge burst in subscription revenues in the medium term.

ANUSHA SUBRAMANIAN

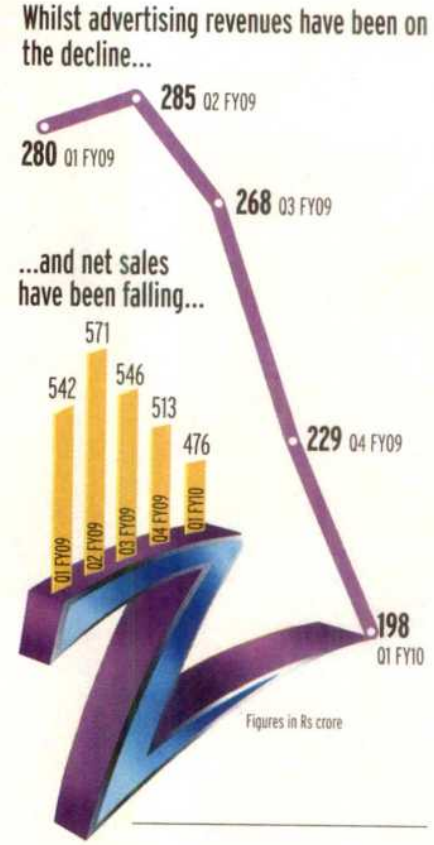
Subhash Chandra is known to think ahead of the times. He started Essel Packaging in the early '80s to make laminated tubes when aluminium tubes were being used (mainly by toothpaste makers). Today, aluminium tubes are virtually extinct, replaced by soft-squeeze lamitubes. Similarly, a decade later, Chandra pioneered satellite television in India by launching Zee TV. And in 2002, Chandra once again displayed his penchant for moving first when he flagged off Dish TV, India's first direct-to-home (DTH) service. That it is neck-deep in red is another matter, but Chandra isn't perturbed. "Broadcasters are busy solving today's issues," quips the Chairman of the Essel Group, which includes Zee Entertainment Enterprises and its 17 channels, Zee TV being the flagship.

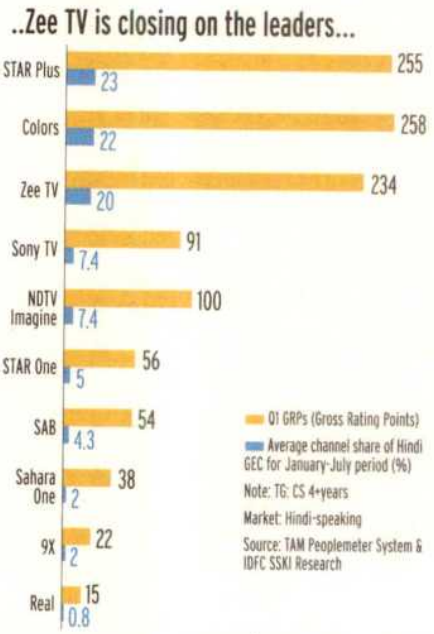
One of today's burning issues is, of course, the slump in advertising, the backbone of television broadcasting, which makes up on an average 39 per cent of broadcasters' revenues. Chandra, true to type, prefers to look ahead. The silver lining he sees is that of the 120 million television homes, some 10 per cent had DTH connections as of March 2009. "The entertainment industry is witnessing a huge transformation led by technological advancements, new delivery platforms and growing diversity of content," reckons Chandra. Adds Chandra's son Punit Goenka, who is CEO of Zee Entertainment: "Our choice to strengthen subscription-based service has proved correct and timely, and DTH revenue streams have performed better. My expectation is that the revenue mix would go up to 70:30 in favour of subscription revenues in the next three years."

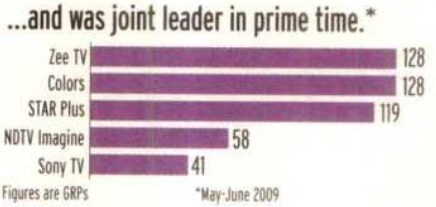
Encouragingly, for Zee Entertainment, subscription revenues—via various DTH operators—increased by 93 per cent over the previous year, with international subscription contributing a little over a fifth to revenues. Yet, if the company's top-line and operating profits are either flat or falling, that's largely because of the sharp decline in ad revenues—from Rs 280 crore in the first quarter of 2008-09 to just under Rs 200 crore in the first quarter of the

Subhash Chandra, Chairman, Essel Group

"Broadcasters are busy solving today's issues. The entertainment industry is witnessing a transformation led by technological advancements, new delivery platforms and growing diversity of content"



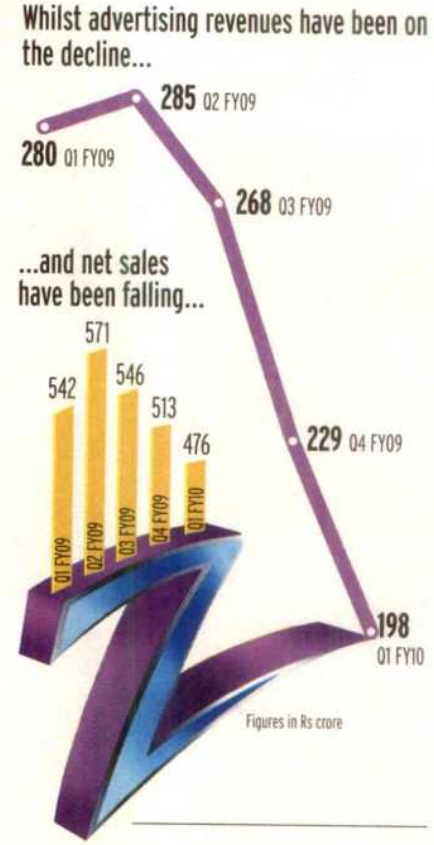


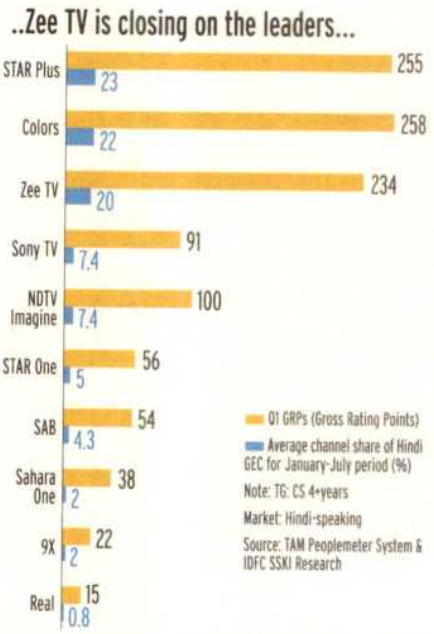


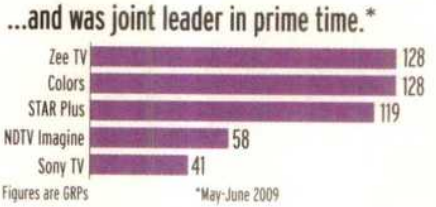
KULDEEP

Subhash Chandra, Chairman, Essel Group

"Broadcasters are busy solving today's issues. The entertainment industry is witnessing a transformation led by technological advancements, new delivery platforms and growing diversity of content"







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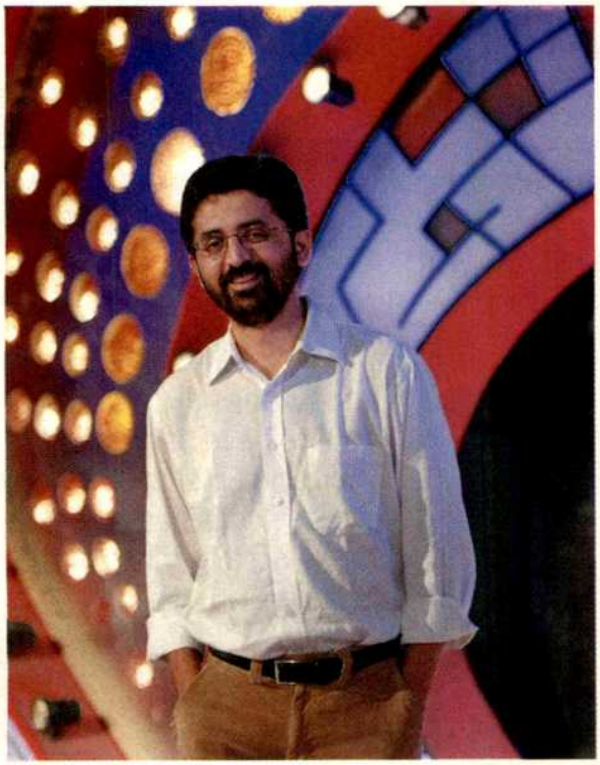


UMESH GOSWAMI

Ajay Bhalwankar, Programming Head, Zee TV

"Zee's programming has always rested on originality. Programmes such as *Aapki Antara*... are original concepts that have emanated out of our ideation cell"

And, as Majumder points out, although cricket tournaments like the Indian Premier League and the T20 World Cup would have sucked away advertising in the recent past, "the impact of increased competition and a soft macro outlook are here to stay and should weigh on the company's future growth." What's more, there's more cricket round the corner, in the guise of the Champions League and Champions Trophy. "Also, poor monsoons will result in FMCG companies, who are big advertisers on TV, taking a relook at their ad budgets," adds Siddhant Khandekar, Research Analyst, Sunidhi Securities & Finance. A recent PricewaterhouseCoopers report on the Indian M&E sector estimates that there will be a marked slowdown in advertising spending—to 9.2 per cent in 2009 from 11.3 per cent in 2008. Chandra's gambit of focussing on moolah from subscription will have to pay back sooner than later. ⊙

COMMENTS & FEEDBACK AT *btfeedback@intoday.com*

KINDNESS TO THE KINFOLK

Zee Entertainment has been liberally lending to group companies.

Subhash Chandra has big hopes on his son Punit Goenka, CEO, Zee Entertainment. "Punit has created a good leadership team... The expectations from him are disproportionately high because of his family background." Punit can rely on his father, who has stepped back from day-to-day operations, for advice and a helping hand. In fact, such family allegiances go beyond the promoters and extend to the companies themselves, many of which are leaning heavily on the flagship for succour in the form of debt. Consider: As of last year, outstanding loans and advances to group companies—Dish TV, Wire and Wireless (India) or WWIL and sundry promoter group companies—stood at Rs 1,048 crore, almost double the figure for 2007-08. Dish TV and WWIL are the main beneficiaries and both these distribution companies—Dish TV via DTH and WWIL via cable—are in the red to the tune of Rs 240 crore and Rs 130 crore, respectively. Group company Zee News, too, has been lending to these two companies.

Analysts aren't too happy with such incestuous lending, what with the balance sheets of two relatively-sound companies being exposed to keep two ailing companies going. Atul Das, Executive VP (Corporate Strategy & Business Development), Zee Entertainment, points out that these loans and advances were given to the respective companies when they were then all part of one entity. Zee expects these companies to become profitable in 12-18 months and start repaying. Shareholders will be watching.

ALL IN THE FAMILY

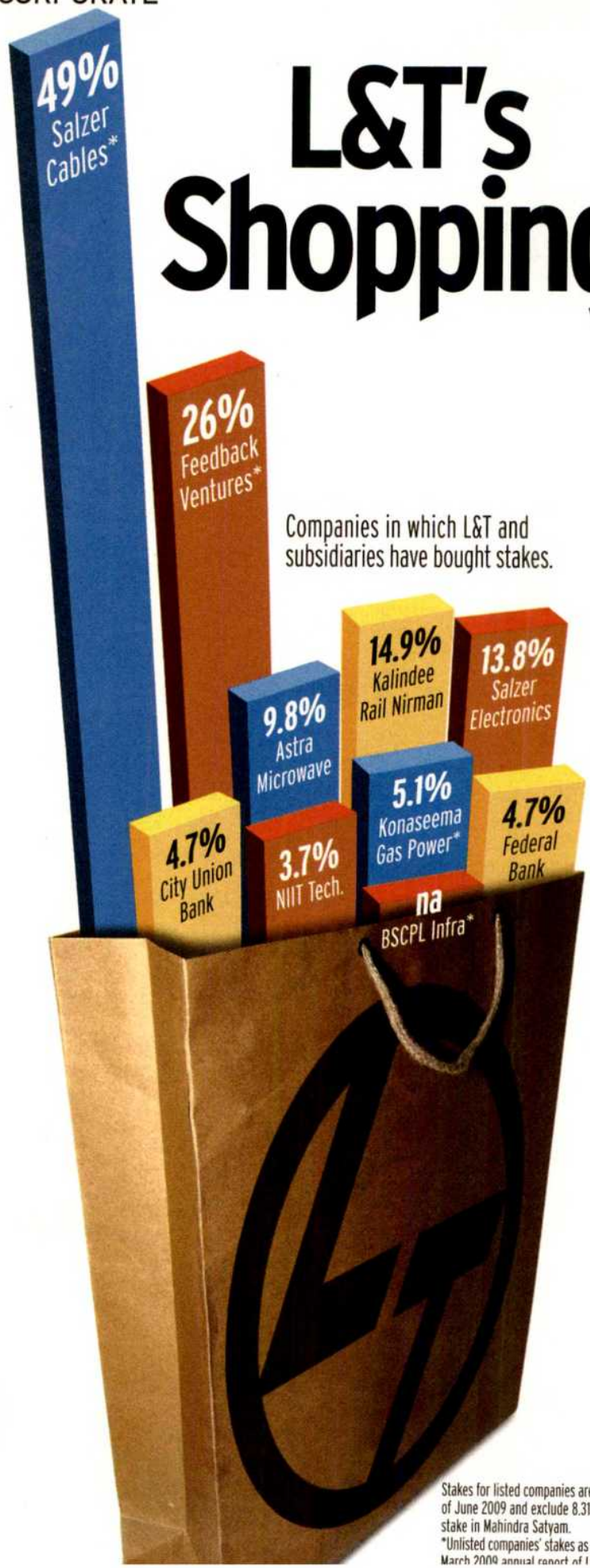
Group Company	Loans Given		Outstanding Loan		Corporate Guarantees	
	FY09	FY08	FY09	FY08	FY09	FY08
Dish TV	243	317	249	78	330	188
WWIL	155	107	242	82	92	283
Promoter Group Cos	843	728	557	370	30	65
Total	1,241	1,152	1,048	530	452	536

Figures in Rs crore

Source: IDFC SSKI Research

L&T's Shopping Spree

A few wholly-owned subsidiaries of Larsen & Toubro have been quietly mopping up chunky stakes in businesses that are related to those of the group. VIRENDRA VERMA



KULDEEP

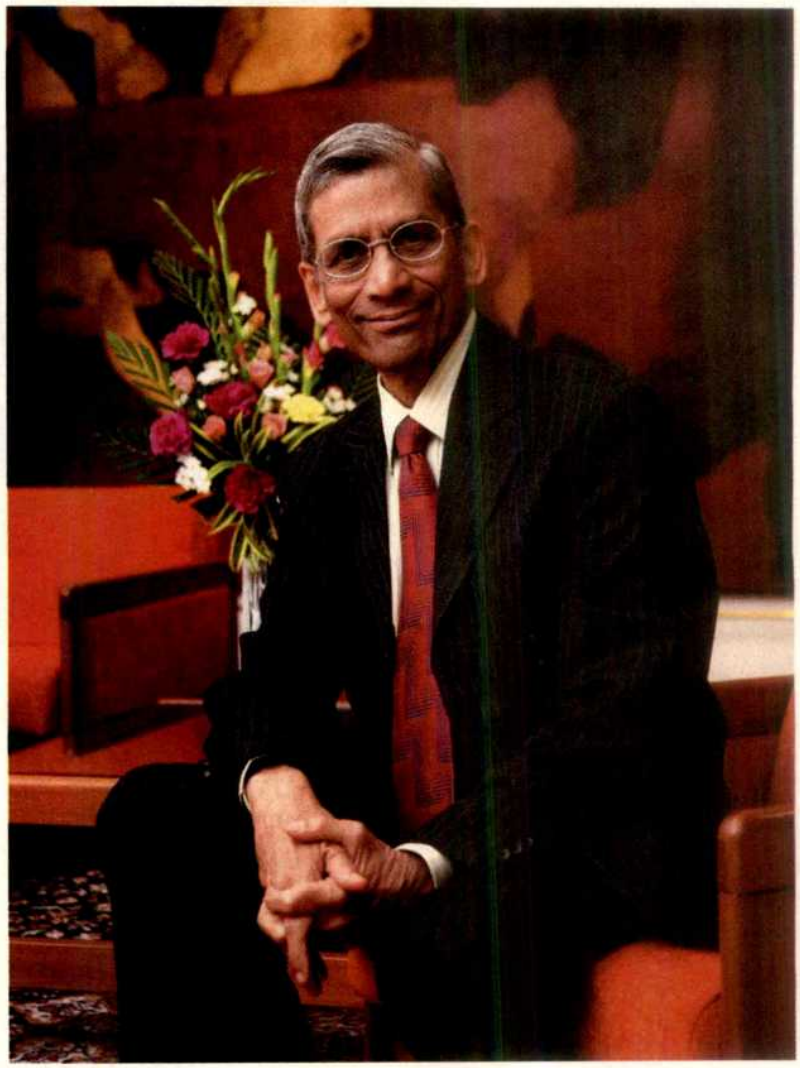
Stakes for listed companies are as of June 2009 and exclude 8.31% stake in Mahindra Satyam.
*Unlisted companies' stakes as per March 2009 annual report of L&T

Way back in 1992, H.V. Seetharam, a senior sales manager with Larsen & Toubro's (L&T's) switchgear division, approached the Coimbatore-headquartered Salzer Electronics with an offer to market its electrical equipment that is used in making switchgears. Salzer agreed and, over the following years, the relationship blossomed. In 2006, Sharad Kulkarni, a general manager in the switchgear division, approached Salzer with an offer to buy a stake in it. Salzer didn't need the money, but saw other advantages in the offer. It sold a 14 per cent stake to L&T Capital and raised Rs 8.8 crore. By buying a stake, L&T was expressing its confidence in Salzer, something that wasn't quite coming through from many of its other vendors. "L&T is not comfortable with vendors that are not closely associated with them," explains Rajesh

Doraiswamy, Joint Managing Director, Salzer Electronics. The alliance with Salzer didn't end there. Kulkarni once again approached its management, this time with a proposal that it make cables for L&T. The Salzer top brass saw this as an opportunity as it wasn't into cables till then. It lost no time in floating, in 2007, a subsidiary, Salzer Cables, in which L&T Capital picked up a 49 per cent stake. By October of that year, the plant began production. It's win-win for both L&T and Salzer.

That's the way L&T does it—buy into vendors, and build solid partnerships with them. Most of these alliances—which don't qualify as acquisitions since L&T doesn't breach the 15 per cent threshold which would trigger an open offer—have been struck only in the past three years. And increases in stake have taken place step by step. For good reason. In 2006, when the economy was booming and the construction and capital goods sectors were at the top of their game, the L&T management discovered that some of its vendors were operating at full capacity. That's doubtless great for the vendors but L&T's apprehension was that critical components it needed could run into short supply. Excess demand could also trigger issues of quality control.

Around 2006 was also when L&T decided to spread its wings into new areas like defence, railways and shipbuilding. To quickly scale up these businesses it needed, amongst other things, commitments of assured supply from its key vendors. That's when L&T chief A.M. Naik and his core team reckoned that buying stakes in niche companies operating in infrastructure- related businesses would make immense sense. Result? Over the next few years, various subsidiaries of the engineering and construction giant bought stakes in firms—listed and unlisted—that operate in sectors like railways, defence, infrastructure development, construction and power.



NISHIKANT GAMRE

"Vendors are critical to L&T's fortunes, and hence we have taken stakes in them to strengthen such relationships"

Y.M. Deosthalee, Chairman, L&T Finance

"These are vendors who are critical to L&T's fortunes, and hence we have taken stakes in them to strengthen such relationships," points out Y.M. Deosthalee, Chief Financial Officer, L&T, and Chairman, L&T Finance, which is one of the subsidiaries involved in the exercise of buying strategic stakes.

The big imponderable, of course, is how 'strategic' are some of these purchases; do L&T's ambitions stop at the vendor-relationship level, or would it consider going the whole hog and acquiring a majority stake in any one of these companies? Consider Kalindee Rail Nirman (Engineers), for instance, which executes signalling & telecom and gauge conversion projects for the railways. L&T's stake in this company, via subsidiary L&T Capital Co, is precariously close to the 15 per cent threshold, at 14.9 per cent. L&T, meantime, has been sharpening its focus on the railways, and in the recent past has bagged

major orders in track-laying and electrification. An acquisition of Kalindee will prove a perfect fit, and also assist a quick ramp-up in this relatively new business. Kalindee Director Arvind Gemini declined to comment on the matter to BT. The promoters hold a 17 per cent stake in Kalindee, which would make L&T's task of becoming the single-largest shareholder in the New Delhi-headquartered company easier.

Another company that may be on L&T's radar is Astra Microwave Products, in which L&T Capital has purchased just under 10 per cent. Astra Microwave designs and makes components and sub-systems that are used in defence—a sector in which L&T has plenty going for itself, having single-handedly developed weapon platforms and naval systems & equipments.

Deosthalee would prefer not to talk about specific companies, but he doesn't rule out such strategic acquisitions. But they hinge on three conditions: The timing, the vendor and valuation. "If valuations change (get expensive), then it may not be an option," adds the L&T CFO. That companies like Kalindee and Astra Microwave are one of a kind and majors in highly specialised sectors like railways and defence would make them logical fits into L&T, point out analysts. "It is difficult to get into niche areas like defence equipment," says Ajay Parmar, Head of Research, Emkay Global Financial Services. He adds that it takes a minimum of two years for a particular vendor to get approval from the respective defence department for a product, irrespective of its size.

Should the managements of the companies under L&T's apparent acquisitive lens be worried? B. Malla Reddy, Managing Director, Astra Microwave, shrugs off the fact that L&T Capital has been raising its stake progressively over the past four quarters. "I'm not paying much attention. I see it like any other investment," says Reddy. He adds that no L&T official has approached him for an alliance.

MONEY SHARMA

"It's a strategic fit for us and also L&T. L&T's stake in the company gives us greater confidence"

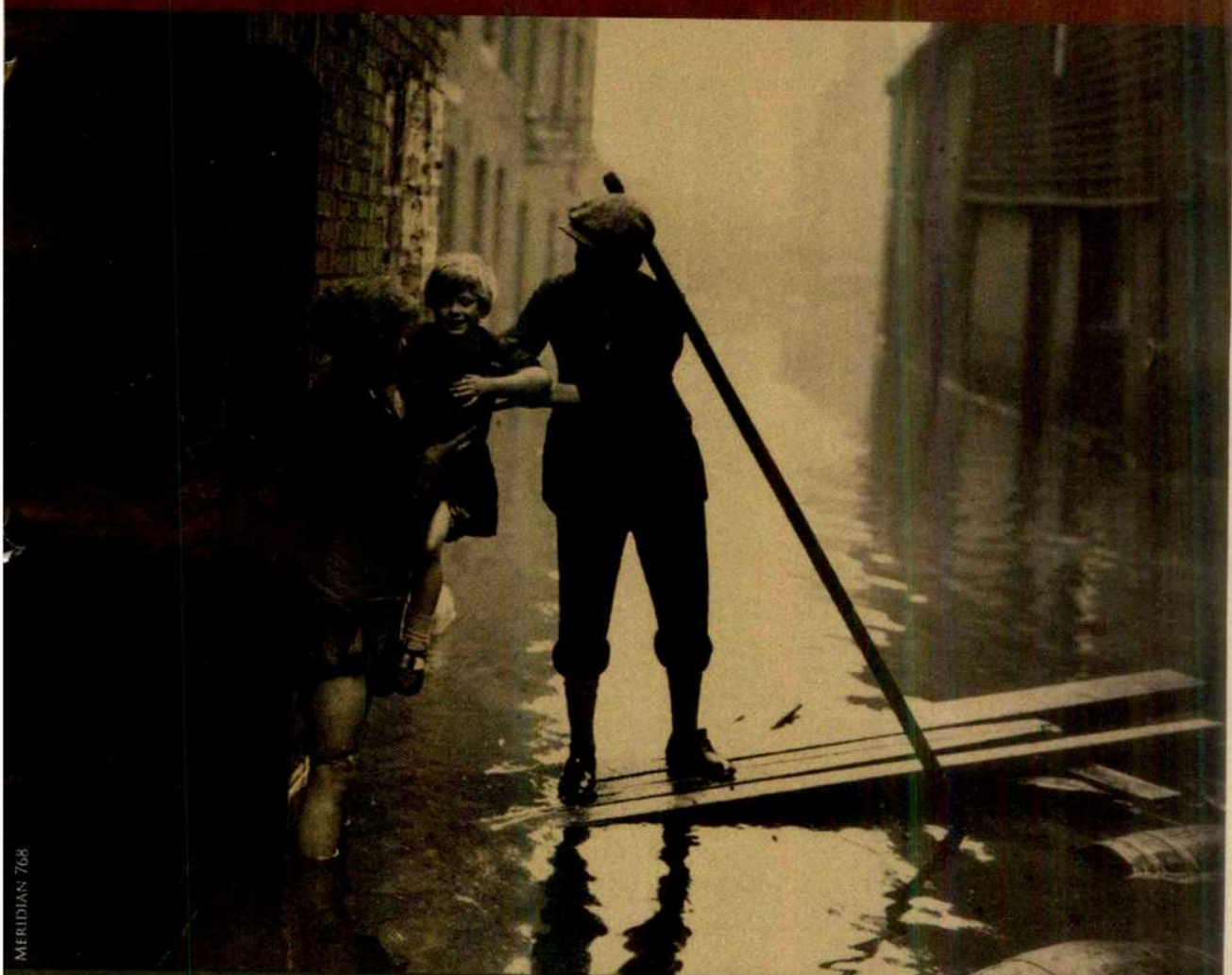
Vinayak Chatterjee, Chairman, Feedback Ventures

Not everyone is so nonchalant about L&T's prowling around. Take, for instance, unlisted infrastructure consultancy Feedback Ventures, in which L&T Capital has pocketed a 26 per cent holding. "It's a strategic fit for us," says Vinayak Chatterjee, Chairman, Feedback Ventures. He adds that the L&T stake gives the company a high degree of confidence. Industry players point out that L&T is one of the biggest customers for Feedback Ventures.

Rather curiously, L&T has also acquired just under 5 per cent in two private banks. Does L&T, which has a non-banking finance company (NBFC) in L&T Finance, expect banking regulations to be liberalised in the near future, which would allow for corporations to have banking operations? That may be jumping the gun a bit. Deosthalee explains that it's only about exploiting existing synergies and not much more. Here's how: L&T's NBFC finances purchases of construction equipment; buyers of such equipment need services like bank guarantees, and personal loans for this purpose. That's where the banks come into the picture. "Our objective is to have a complete offering and exploit the synergies," says Deosthalee. By buying stakes in three southern banks—City Union, Federal and Catholic Syrian—L&T is in a position to guarantee customers services it can't otherwise provide—like working capital and bank guarantees.

Seven months ago, when L&T acquired 8.3 per cent in Satyam Computer Services (now Mahindra Satyam), its desire for inorganic growth was palpable. Today, Satyam has been transformed into a lucrative portfolio investment, and a clutch of other investments made—which earlier had innocent financial hues—have assumed strategic proportions. The fireworks may begin sooner than later. ⊙

EXPERTISE COUNTS MOST IN TOUGH TIMES.



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1 Private Bank-Domestic
2 Private Bank-Overall

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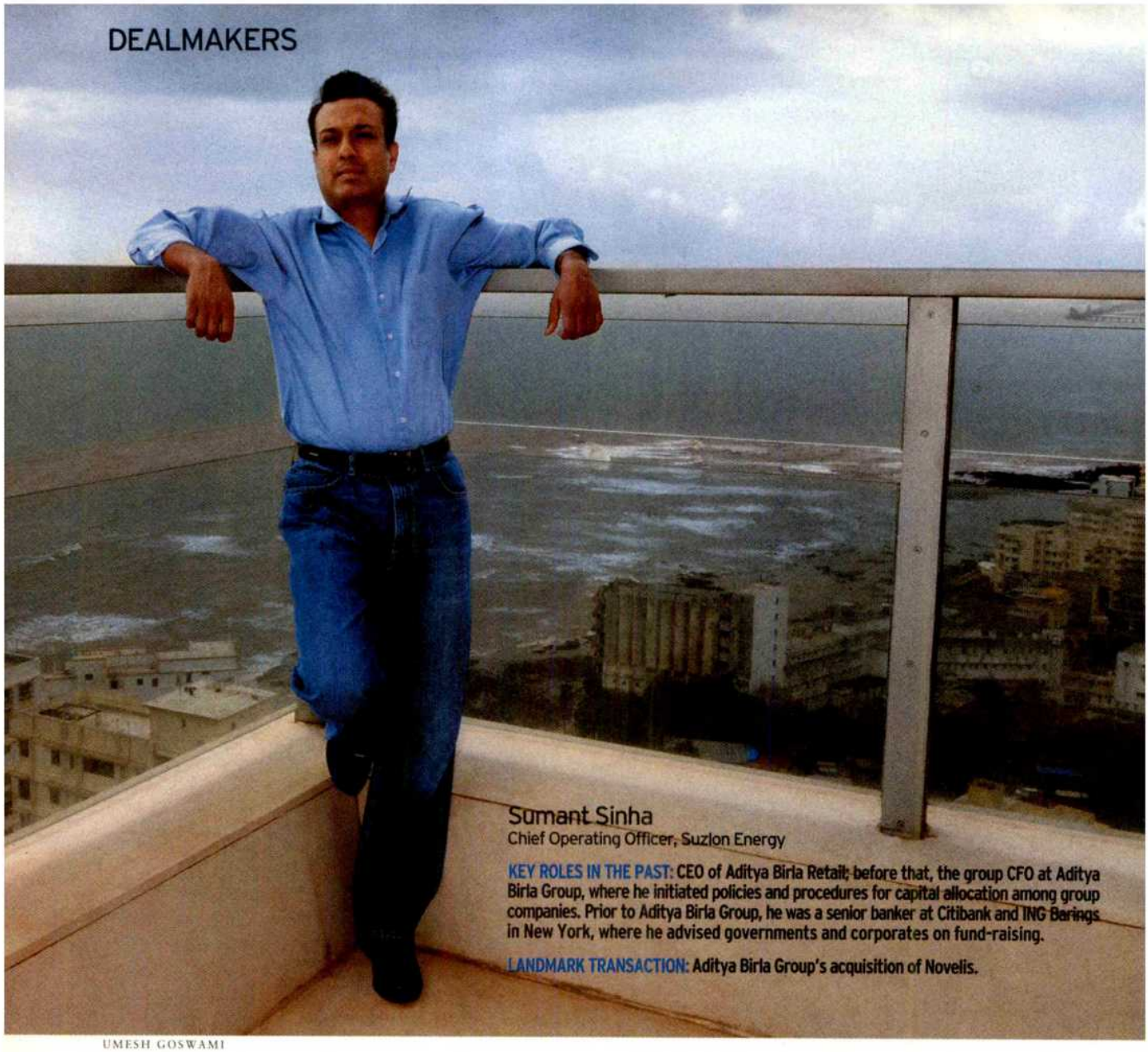


Sumant Sinha
Chief Operating Officer, Suzlon Energy

KEY ROLES IN THE PAST: CEO of Aditya Birla Retail; before that, the group CFO at Aditya Birla Group, where he initiated policies and procedures for capital allocation among group companies. Prior to Aditya Birla Group, he was a senior banker at Citibank and ING Barings in New York, where he advised governments and corporates on fund-raising.

LANDMARK TRANSACTION: Aditya Birla Group's acquisition of Novelis.

UMESH GOSWAMI

In-house I-bankers

As mergers & acquisitions become a way of life at India Inc., CEOs are leaning heavily on their teams of dealmakers who are not too far away from the corner room. RACHNA M. KOPPIKAR

Chaitanya Deshpande spent the first 14 years of his career at fast-moving consumer goods marketer Marico, in budgeting, planning and in the treasury. Then one fine day, he got his big break when his CEO Harsh Mariwala causally remarked about the need to double turnover in the next four years. One way to do that would be to foray into international markets—in less developed ones—and make acquisitions there. Deshpande and his team identified two countries and potential takeover targets there. By 2007, Marico had made two acquisitions in

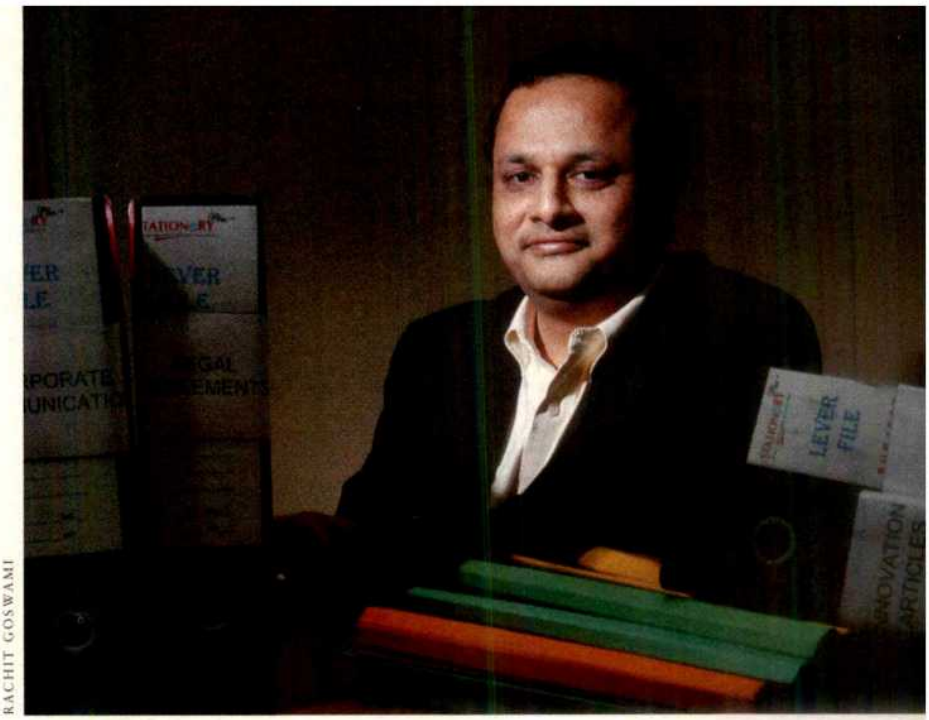
Egypt and another in South Africa, with more than a little help from the 45-year-old Head (Mergers & Acquisitions and Investor Relations).

Deshpande is just one of a rapidly-growing tribe of in-house M&A mavens who are at the forefront of their company's acquisition game plan. Right from identifying targets to researching them, negotiating the transaction and concluding it, the bankers within do it all. It isn't as if they don't rope in professional investment banks—a few actually don't, preferring to wrap up deals themselves—but what's significant is that more and more CEOs are realising that when M&A (both outbound and domestic) is a growth imperative and therefore a relentless exercise, having a team next to the corner room is vital. "Having a dedicated M&A team ensures that a company has better understanding about the strategic benefits—as well as the challenges —of an acquisition," says Harsh Vardhan, Partner Director at Boston Consulting Group.

Central M&A Divisions

Conglomerates such as Reliance, the Tatas and Adtiya Birla Group have over the years put in place central M&A divisions. At many other corporations, the CFO often plays the role of leading M&A transactions. Anil Chanana, CFO at HCL Technologies, has been involved in 20 transactions (including acquisitions, equity-based joint ventures and divestments) ever since he joined the company in 1985.

When some of these in-house advisors come armed with stints at investment banks, it's a win-win situation for company managements. Consider Lanco Infrastructure, which hired J. Suresh Kumar, a banker with JM Financial for 13 years, as CFO almost three years ago. Even as he nurtured a team of 13 for the corporate and project finance department, Kumar's investment banking experience helped his company raise $150 million through qualified institutional placements (QIPS). This was at a time when investor appetite was poor and bankers were putting pressure on companies to either delay or withdraw. "However, we needed capital for expansion, so we convinced our bankers and investors to push through the fund-raising," says Kumar, who personally met with and convinced investors about his company's prospects.



RACHIT GOSWAMI

Chaitanya Deshpande
Head (M&A & Investor Relations), Marico

KEY ROLES IN THE PAST: After spending almost two decades with the company in various functions such as MIS, budgeting and treasury operations, he steered the company's entry into markets such as Egypt and South Africa through local acquisitions.

LANDMARK TRANSACTION: Marico's entry into South African markets.

Why India Inc. Wants its own Dealmakers

- To ensure more accountability as investment bankers' mandates end once deal is cut.
- Research done in-house on potential targets is considered more credible and in-depth.
- Can play a big role in integration once the deal is cut.
- To ensure confidentiality of strategic and business plans.

Another corporate honcho who has been on the other side of the fence is Sumant Sinha, today COO at Suzlon Energy. Having done stints on Wall Street with Citicorp Securities and ING Barings, Sinha explains the delicate distinction between a banker on The Street and the one at the HQ: The former can get a mandate, execute it, and then move on; the latter has to live with the mandate and ensure that value is created for shareholders over the long term. At the Aditya Birla Group, where Sinha did a stint after New York and before Suzlon, Sinha was instrumental in conceiving and planning the $6-billion acquisition of Novelis in 2007. The transaction, he says, was debated internally for six months; and only at the time of arranging funds did the group seek out an investment banker.

In a select few cases, the promoters themselves are their best advisors when it comes to M&A. The Raju Shroff-promoted United Phosphorus, for instance, has done 16 acquisitions in the past five years. The men behind the M&A blitz: Shroff himself, along with his son Jai Shroff and Arun Ashar, Director (Finance). The Shroffs

are known to be regulars at overseas industry conferences, where they get to know about companies that could make attractive buys. Similarly, Dilip Shanghvi, Chairman, Sun Pharma, is the man who drives the M&A activity (and the team), which includes 12 acquisitions in the past eight years.

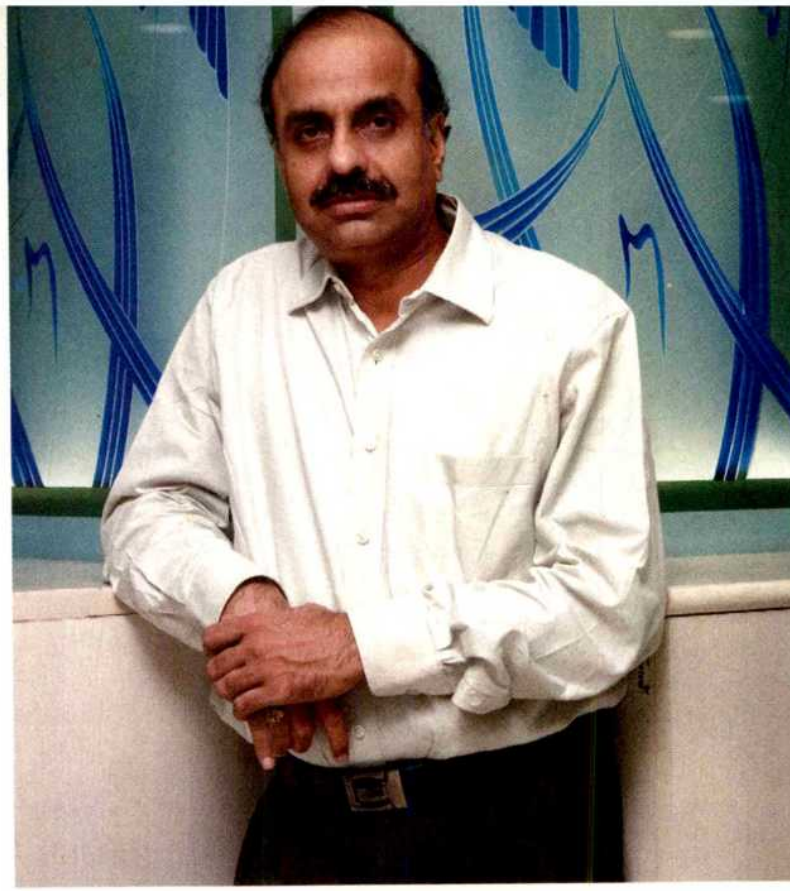
Mimimal Help from I-banks

In-house dealmakers take pride in taking minimal—if not zero—help from I-banks. As 51-year-old N. Sivaraman, Executive Vice President (Financial Services), Larsen & Toubro (L&T), puts it: "At the end of day, we will be facing the investors regularly so we need to tell our growth story in a credible way. It can't be substituted by an outside banker at any cost."

Sivaraman's team led the group's strategic exit from cement nine years ago, and has led fund-raising initiatives through GDRs, bonds and equity from time to time. The M&A division works with designated executives in each of the business verticals who give feedback on which companies can be a strategic divestment for that vertical (see *L&T's Shopping Spree*, page 64). The M&A division then gets working on the deal and if it's a large one, it invites outside bankers for advice on industry dynamics or industry valuations. So, for instance, when L&T pitched for buying out Satyam Computers in March, Citigroup was brought in as advisor. Recently, L&T exited ready-mix concrete (RMC), which was sold to Lafarge for Rs 1,500 crore, and has put up for sale the fuel dispenser business; Sivaraman was negotiating with potential buyers at the time of writing.

Although investment bankers will invariably suffer from a complex of not knowing a company as well as those who work for it, their role can never be undermined. Their relationships, network—particularly those of the global banks—and research-oriented teams will ensure that they can never be ignored. That's why investment bankers like Ranu Vohra, Managing Director & CEO, Avendus Capital, a full-fledged financial services firm, don't look at in-house bankers as rivals or competitors. "We provide complementary services to clients," explains Vohra.

Sivaraman of L&T feels that outside bankers have inherent limitations as they have limited inputs of the internal needs of a client. Also, most banks work on multiple deals at the same time and have limited time to devote to one company. The companies have to be careful about how much information they can share with their advisors. That's where an in-house M&A team can help, by being an interface between the business units and the outside world. Deshpande of Marico sums up this role as that of a *sutradhar* (or an anchor). K.R. Lakshminarayana, Chief Strategy and M&A Officer (IT Businesses), Wipro, explains, the job of this *sutradhar* comes with its own challenges. "You have to be a two-way salesman—on the one hand, you are selling the idea internally and on the other you are selling yourself to the target," he adds. The Wipro M&A chief compares an M&A transaction to a typical Indian arranged marriage: The elders (read the board) do the matchmaking; after the hype, fanfare and celebrations (of the marriage), there is a honeymoon period. The tough work begins after that, once the spotlight has faded—of living happily ever after. ⊙



RACHIT GOSWAMI

N. Sivaraman
Executive Vice President
(Financial Services), L&T

KEY ROLES IN THE PAST: Having spent 27 years in various functions such as audit, treasury and accounts, Sivaraman took charge of the M&A cell in 2000. The group's strategy to exit from cement business, divest non-core businesses and minority stakes in other companies was done under the guidance of his team.

LANDMARK TRANSACTION: Strategic divestment of the cement business.

ADDITIONAL REPORTING BY RAHUL SACHITANAND & MANU KAUSHIK

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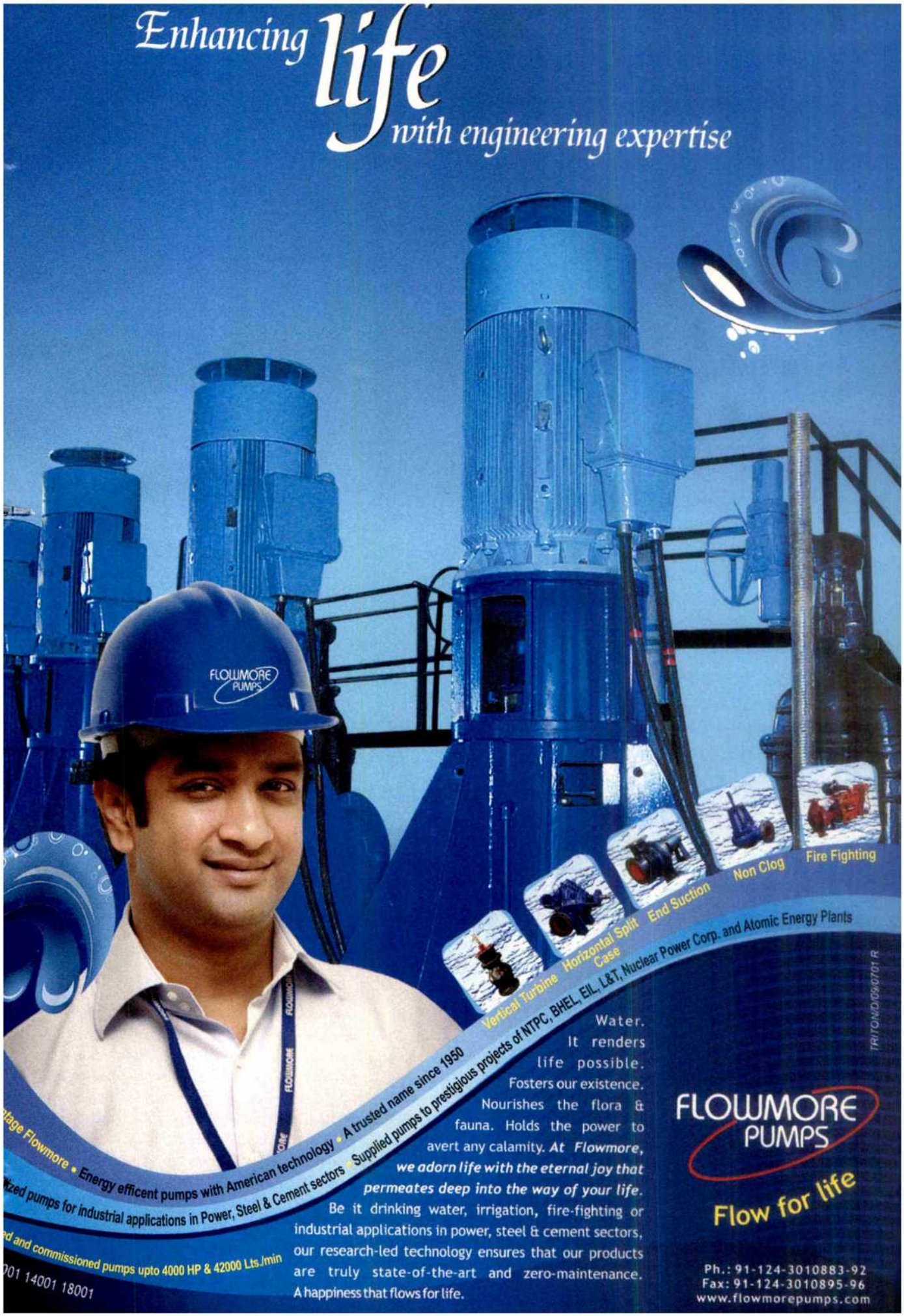
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DRY HOPE

Poor rains have damaged the summer crop in quantity and quality. As the monsoon whimsy continues, some intelligent government intervention could help save the winter crop.

SHALINI S. DAGAR

Bitter harvest: The paddy fields in West Champaran district of Bihar where yields are poised to dip by half and continued rains essential to even save the standing crop

SIDDHARTH RAI

■ *Siddharth Rai is not your usual Indian farmer. Educated and smart, he carries that tag of 'progressive farmer' in his native village of Bilaspur in the West Champaran district of Bihar. Like umpteen other farmers across India, Rai, too, has been caught in a dry spell this kharif (June-October) season. It promises to be a rough, rough year. Though Rai cultivates other crops, paddy is the mainstay of his work area spread over some 200 acres. "With almost 25-30 days of no rain, we estimate that the loss in yield will be over 50 per cent. To salvage the remaining crop as well we need rains for another month-and-a-half," says Rai.*

■ *Move a few hundred kilometers West to the Shahjahanpur district of Uttar Pradesh, another farmer, Shamsher Singh, too, is categorical that he has lost 20 per cent of his annual paddy production due to the deficient rains. "The lack of moisture in the fields may also reduce the size of the grain, ultimately leading to lower realisations," he grumbles. The minimum support price just does not work where he operates. In the meantime, in just keeping his crop alive, he is irrigating the fields through the diesel pump sets. That loads up the cost of production. On an average, using the pump set for a period of 8 hours costs Singh Rs 700-*

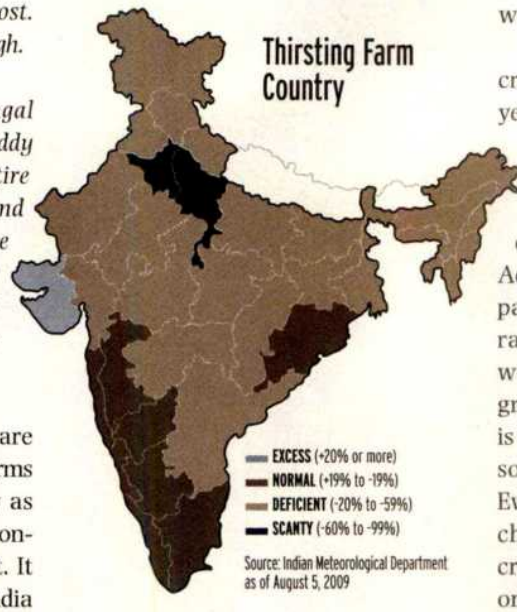
800. Lesser rain equals higher cost. Economics is simple enough for Singh.

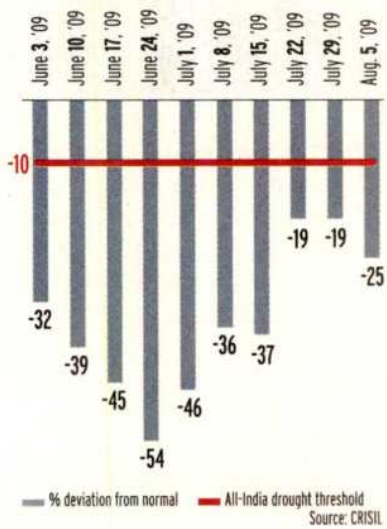
■ *In Andhra Pradesh's Warangal district, farmer Gurram Adi Reddy faces the prospect of losing his entire crop. He grows cotton, maize and paddy in this rain fed region. "I have almost lost my maize and paddy crop and my only hope now is the cotton crop," says Reddy as he watches the saplings go dry.*

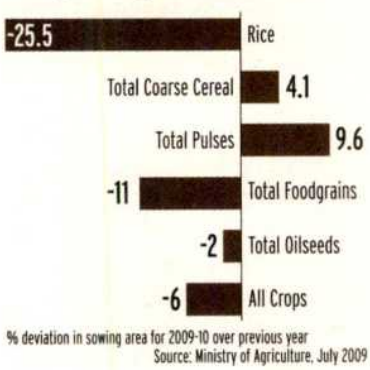
Similar grim stories are found in plenty on farms across the country as the monsoon rains continue to play truant. It was as early as June that the India Meteorological Department (IMD) had sounded out that the monsoon could be sub-par this year. That it would disappoint so much was clear by early August. The rains were not just delayed; when indeed they came, they were not adequate. The rain deficit for the country rose to a whopping 28 per cent by August 9 from 19 per cent on July 22. The kharif (summer) crop was certainly going to be hit. The extent of the damage would be known in the following weeks.

Farmers might disagree, but the IMD officially declares a drought only when rainfall deficiency in an area is greater than 26 per cent of its long period average. The monsoon is flirting with this thin line quite consistently on a country-wide basis. At last count, 171 districts across India were declared drought-affected. Eight of the Indian states, that are part of the grain bowl, have been affected (see graphs).

For an economy hoping to recover from the slowdown, continued monsoon deficiency is bad news. The worst case scenario would mean it could turn out to be the worst drought in two decades—worse than in 2002 when the rain deficit was 19 per cent. That is enough to cause worry all around.





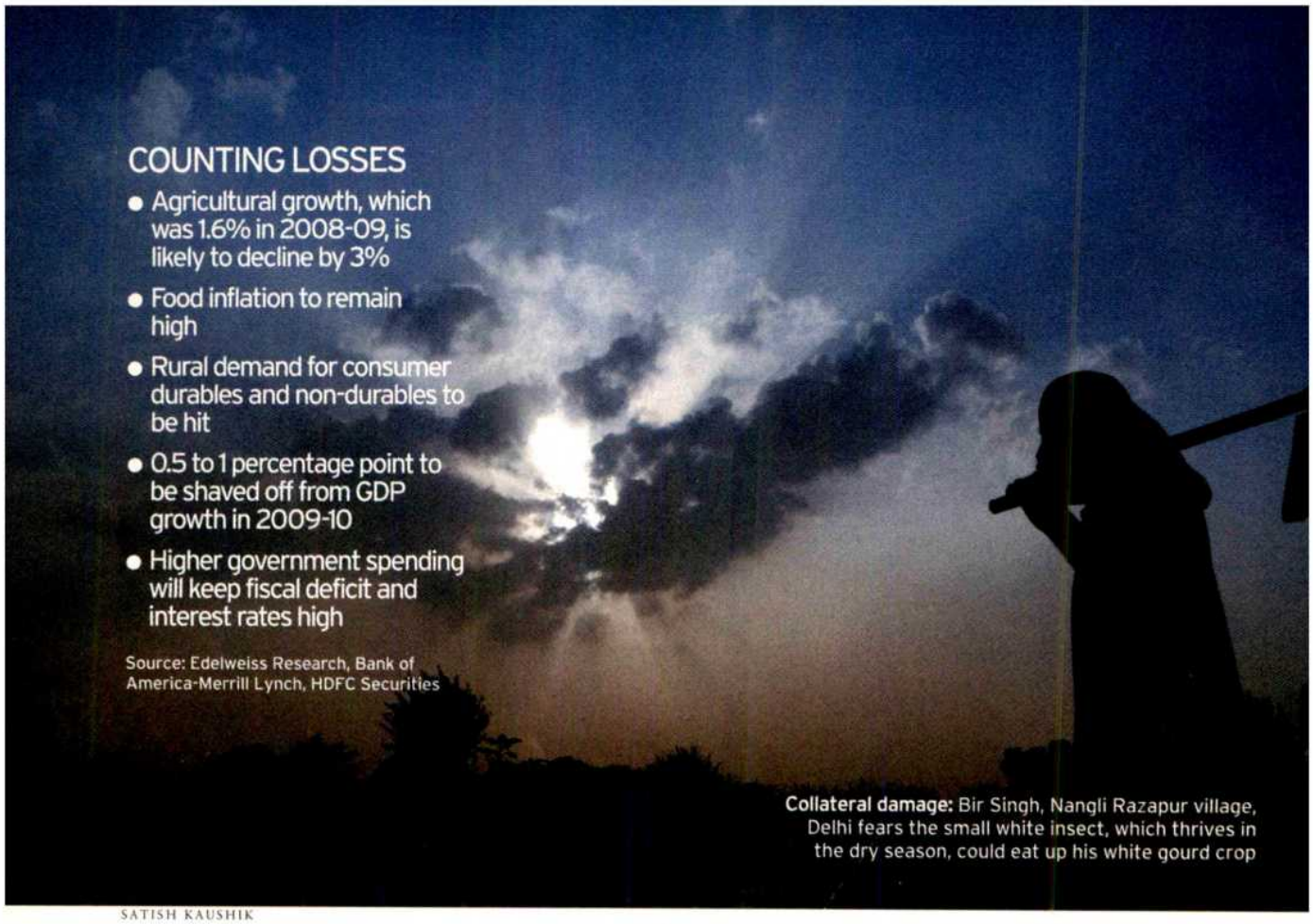


Overall, the acreage for kharif crops is down 6 per cent over last year, but the main crop of this kharif season—paddy—is really the worst hit. The cultivation is down by 6 million hectares—over a quarter—over last year. Add to that impact on productivity, particularly in high lands under rainfed conditions. The situation with some other crops is equally grave. The acreage under oilseeds is also lower with groundnut and soybean being the most affected. Every day that goes dry lowers the chances of a decent rabi (winter) crop, too, which depends heavily on ground moisture and irrigation.

ITC's Agribusiness Head, S. Sivakumar points out that the effect on prices is already visible in the retail markets with tur prices crossing the Rs 100 a kg mark, and moong and urad more than Rs 70 a kg. This price spike is despite an increase in the area under cultivation of pulses. Sugar prices also have gone up from last year lows of Rs 15 a kg to the current Rs 30-32 a kg on expectations of a lower crop.

As the situation worsened, the central government, which was in a "wait and watch" mode, swung into action. The Prime Minister called for a meeting of state secretaries and declared, "In no case should we allow citizens to go hungry." Later a group of ministers was constituted to look at the drought management and food security. In the interim, a host of other measures was taken, including a 50 per cent diesel subsidy.

More emphatic measures, such as hiking the minimum support price (MSP), look difficult. Only last year, MSP for rice and wheat was raised by 40 per cent to Rs 900 per quintal and by 8 per cent to Rs 1,080 per quintal respectively. That has virtually exhausted its fiscal headroom. The fiscal deficit rules at 6.8 per cent of GDP. Further spending to contain the damage will



Collateral damage: Bir Singh, Nangli Razapur village, Delhi fears the small white insect, which thrives in the dry season, could eat up his white gourd crop

SATISH KAUSHIK

prevent interest rates from coming down further. In the last year of drought in 2002, the government spent 0.6 per cent of the GDP to manage the drought-related stress.

That is not to say that the government has nothing in its arsenal. Last year's hike in MSP enabled a procurement bonanza for wheat and rice. As Ashok Gulati of the International Food Policy Research Institute (IFPRI) says, "Food security isn't a concern today as the current stocks of wheat and rice can easily get us through this drought. The overall stock in the central pool is more than 50 million tonnes. So, if the government uses these stocks wisely, it can moderate the impact of impending drought on prices of basic staples." Moreover, Gulati believes the paddy crop in the north-west (Punjab, Haryana and western UP), which is largely an irrigated tract and produces much of the surplus, is coming up well.

What about the other crops which do not have buffer stocks? The supply shortages may push up prices. Pulses are a case in point. Yet, the Centre's flexibility is still quite high. "This is the time to lower the tariff rates on most of the agricultural commodities, so that traders can quietly start importing. In particular, rice and sugar imports should be opened and encouraged at zero import duty by the private trade. Delay in this will result in abrupt increases in global prices when India enters global markets for imports under any panic situation," adds Gulati.

Ramifications of rainfall shortage go beyond the rural economy. V. Shunmugum, Chief Economist of the commodity exchange MCX, says, "Any decline in agricultural production would reduce the rural buying power affecting various producers of consumer goods who are currently looking at the rural market." Rajiv Sinha, Deputy Managing Director, DSCL Ltd, which runs the rural retail chain under the Hariyali Kisaan Bazaar brand, says, "Rural consumption will certainly be hit." That might not sound as calamitous as it might have a few years ago. India's dependence on agri-economy has come down. Economists brave enough to assess the impact of the deficient monsoon on the economic growth believe it will shave off close to 0.5 per cent of growth. More drastic estimates such as those by Edelweiss put the damage at one percentage point. Clearly, a signal that more long-term solutions need to evolve for the sector which has the potential to drag down growth so dramatically even now.

As Rai, the progressive farmer from Bihar, says, it is not just the erratic monsoon which causes strife. The lack of access to markets, the now defunct traditional water-management systems, or the distorted pricing policies all of them load on the misery. Maybe a drought is a good time to fix them. ⊙

ADDITIONAL REPORTING BY E. KUMAR SHARMA

The Fidelity India Special Situations Fund has truly put up a special performance. The fund has delivered better returns than the peer group average over the 1-year and 3-year periods. Moreover, it has outperformed its benchmark the BSE 200 and the BSE Sensex over the last year - a time when investors have had their confidence knocked by market falls. Quite a special investment, wouldn't you say?

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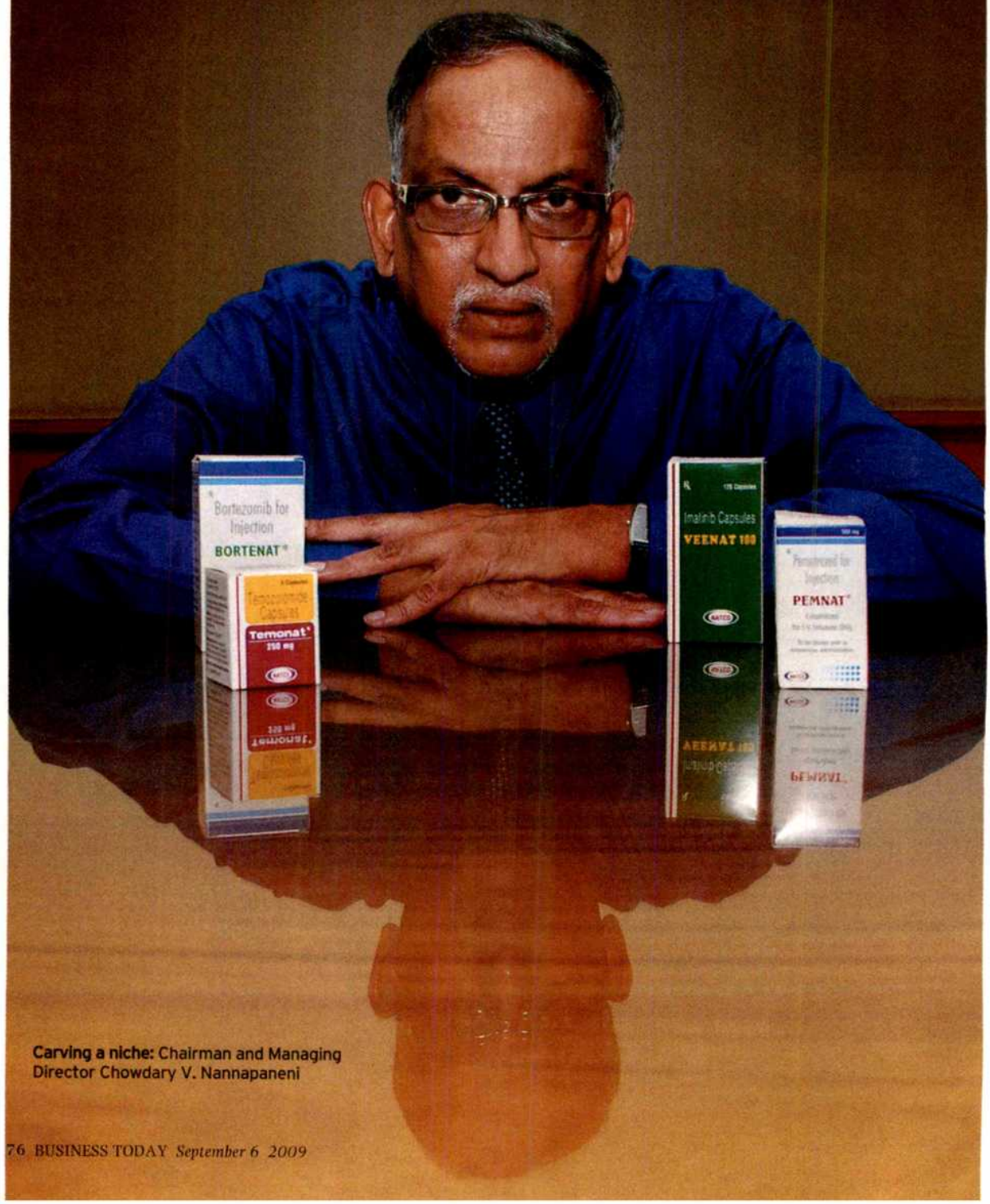
Source: 1. Peer Group Source: Value Research, as on 31 July 2009. Peer Group refers to the Equity Diversified category as defined by Value Research. The fund delivered 10.97% and 13.05% over 1 year and 3 years whereas the peer group average stood at 8.95% and 12.72% respectively for the same period. 2. CAGR returns - ICRA MFIE, as on 31 July 2009: The returns since inception, 3 years and 1 year for the fund were 10.25%, 13.05% and 10.97% respectively vis-à-vis 13.23%, 14.39% and 9.18% for the BSE 200 and 13.41%, 13.39% and 9.16% for the BSE Sensex for the same period. NAV of Growth option is used. Past performance may or may not be sustained in the future and may not necessarily provide a basis for comparison with other investments. **Scheme classification and investment objective:** Fidelity India Special Situations Fund ("FISSF") is an open-ended equity growth scheme with an objective to generate long-term capital growth from a diversified portfolio of predominantly equity and equity-related securities including equity derivatives. **Loads:** *Entry:* Nil. *Exit:* For Redemption within 3 years from the date of allotment or Purchase applying First In First Out basis: 1.00%. A switch-out or a withdrawal under SWP or a transfer under STP may also attract an Exit Load like any Redemption. No Exit Load/CDSC will be chargeable in case of switches made between different options of the Scheme. **Risk Factors:** • Mutual funds, like securities investments, are subject to market risks and there is no guarantee against loss in the Scheme or that the Scheme's objective will be achieved. • As with any investment in securities, the NAV of the Units issued under the Scheme can go up or down depending on various factors and forces affecting capital markets. • Past performance of the Sponsor/the AMC/the Mutual Fund does not indicate the future performance of the Scheme. • FISSF is the name of the Scheme and this does not in any manner indicate the quality of the Scheme, its future prospects or returns. • The Scheme shall be subject to the risks associated with the instruments in which it invests. Investments in the Scheme will be affected by trading volumes, settlement periods, volatility, price fluctuations, inability to sell securities, disinvestment of holdings of any unlisted stocks prior to target date of disinvestment, credit risk and interest rate risk and the risks associated with investments in derivatives. The Scheme may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances. Please read the Scheme Information Document of the Scheme before investing. **Statutory:** Fidelity Mutual Fund ('the Fund') has been established as a Trust under the Indian Trusts Act, 1882, by FIL Investment Advisors (liability restricted to Rs. 1 Lakh). FIL Trustee Company Private Limited, a company incorporated under the Companies Act, 1956, with a limited liability is the Trustee to the Fund. FIL Fund Management Private Limited, a company incorporated under the Companies Act, 1956, with a limited liability is the Investment Manager to the Fund. Fidelity, Fidelity International and Pyramid Logo are trademarks of FIL Limited. CI01258

Cancer Slayer

By refocussing its strategies, Natco Pharma has pulled back from the brink of bankruptcy to power ahead in cancer drugs. Now it is looking for niche areas globally. Can it scale up and take on global competition?

E. KUMAR SHARMA



A. PRABHAKAR RAO

Carving a niche: Chairman and Managing Director Chowdary V. Nannapaneni

When Chowdary V. Nannapaneni came back from the US in 1981 with plans to get into pharma manufacturing after stints at companies there, naming his firm was the easy part. He just patched together the family names of Nannapaneni, Alapati and Tummala to Natco.

Securing a loan of Rs 20 lakh and adding Rs 12 lakh of his own funds, the 36-year-old MS in Pharmacy then set off on his route to growth, taking Natco to a peak in 1997 (net profit of Rs 16 crore on revenues of Rs 279 crore). The dizzying drop in just two years into a net loss of Rs 22 crore was his first lesson in focus.

"A lot of our investments then (like the one in a softgel plant in the US) went bad," says Founder Chairman Chowdary V. Nannapaneni. His son, Rajeev Nannapaneni, who took over as CEO in 2005, recalls: "At that time we took some gambles... We gambled on the chemicals business (bulk drugs) and we also did a lot of commoditised products. The product mix was wrong and we grew too fast." Almost bankrupted and deep in debt, Natco was forced to restructure and sell its brands.

Today, Natco is comfortably back in the black after focussing on a niche (in 2008-09, Rs 97 crore of its revenues of Rs 458 crore came just from the oncology business in India), and going the partnership way to expand markets. A June 2008 deal with a US major for global marketing was followed up in April this year with similar no-hassles-for-me deals with Lupin and Dr Reddy's Laboratories.

Focus and Seek Partners

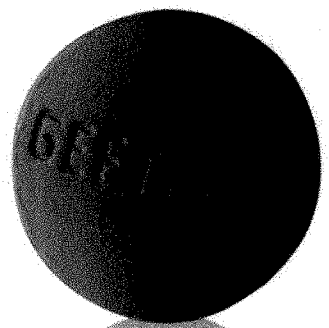
But not until 2003, or 22 years since its birth, did Natco manage to find its moment of glory and start the climb back into profits. Natco launched Veenat, a generic version of Swiss multinational Novartis AG's anticancer drug Gleevec. Veenat cost less than 1/10th that of Gleevec. (Since then, Natco has been battling Novartis in court.)

The Chairman recalls that in late 2002, when Natco was seeking niches, there was a lot of literature around on novel anti-cancer drugs like Gleevec, and his people came up with the idea of making these at affordable prices. According to Rajeev Nannapaneni, the Indian market for cancer drugs was Rs 250-300 crore then. Today, it is Rs 1,000 crore. Veenat's success decided Natco's course. "Veenat was our first oncology product and since then we have been seriously growing our presence in this space," says the Chairman. Natco has 21 oncology products today.

"We have always had good chemistry skills (including in peptides and formulations) but it is just that we have decided to use those skills only in niches rather than on commodity products," says the 6'6" tall Rajeev Nannapaneni.

He says Natco skills have attracted partnerships from some of the best-known pharma companies: while the partner gets to expand its portfolio, Natco gains by letting it take care of marketing, fighting legal battles abroad, and from royalties and profit sharing.

"They have some good strengths in oncology," says G. V. Prasad, Vice-chairman and CEO of Dr Reddy's.



COSTS ARE UP TO 1/10TH THOSE OF THE INNOVATORS

NATCO'S PRODUCT	INNOVATOR'S PRODUCT	NATCO'S COST	WITH INNOVATOR'S BRAND	COST AS % OF INNOVATOR'S
Geftinat	Iressa (Astra Zeneca)	Rs 10,353/ PM	Rs 99,789/ PM	10
Veenat	Gleevec (Novartis)	Rs 10,560/ PM	Rs 1,23,456/ PM	9
Temonat	Temodal (Fulford)	Rs 23,795/ cycle	Rs. 80,000/ cycle	30
Pemnat	Alimta (Eli Lilly)	Rs 34,500 / cycle	Rs 1, 30,665/ cycle	26

Costs are per month (PM) for the drugs required to be taken continuously and per cycle for those prescribed with gaps *Source: Natco Pharma*

The Patent Challenge

But things have already begun changing for Natco. The trigger: India's adoption of the product patent regime in 2005. Natco's generics have been on pre-1995 patents. Their ranks are thinning, and all compounds patented post 1995 will pose patent issues now.

Says Rajeev Nannapaneni: "The only way you can offset the slowdown in India is by growing the rest-of-the-world business because, globally, oncology is #2 after cardiology." So, it is investing a total of around Rs 100 crore on a facility each in Andhra Pradesh and Tamil Nadu.

It is also leveraging its pipeline for patent challenges that could be first-to-file opportunities.

The Chairman says the focus is on research and development, for which Natco has a 200-strong team. Spending 4-5 per cent of revenues on R&D, it is also looking at new chemical entities. It has begun Phase 1 trials for one of the few compounds it has developed, codenamed NRC 19, effective for multiple indications.

"Since it is for a life-saving drug, it is under the fast-track approval model and my hope is to hit the market in the next couple of years," he says.

Eggs and Baskets

Haphazard diversification had been Natco's downfall; but putting its all eggs in the oncology basket is also scary. "We are trying to de-risk from oncology because doing one segment is not a good thing," says Rajeev Nannapaneni. Hence its foray into renal care with lanthanum carbonate tablets that it will jointly commercialise with Lupin. Or its deal with Mylan for the generic of multiple sclerosis drug Copaxone-R.

Notes Dr Y. K. Hamied, Chairman and Managing Director of Cipla, a champion of affordable generics, who had created a global controversy in 2001 by offering AIDS drugs at a fraction of their Western costs: "A multi-product approach is always the best... The singular reason for Cipla's success has been its wide basket of products."

However, he says, the newer drugs are biotech-based, and companies like Cipla who are big players in oncology will have to focus on this increasingly now. Rajeev Nannapaneni knows that biotech-based drugs are the future, but they involve huge capital expenditure.

The Prognosis

Not all are gung-ho. A Mumbai-based analyst admits that Natco has achieved a "reasonable" scale up in recent years and its focus on select segments is a good strategy. But, he points out, companies like Aurobindo, Matrix and Sun Pharma have "achieved much more rapid growth" during the same period. "So, while Natco has grown, the key is that it now needs to have an aggressive scale up... with both quantitative and qualitative growth," the analyst says.

Others worry about Natco's ownership structure and asset acquisitions. Natco is dominated by the promoter, who with friends and family controls up to 65 per cent. Then, in 2006 and 2007, Natco acquired US retail pharmacy outlets, which analysts say are unrelated business. Three, Natco has built a land bank of close to 400 acres including those of its plants, near the new international airport in Hyderabad.

But Chairman Nannapaneni sees no problems with the high promoter holding. Instead, to him it is an advantage, as he can take calculated risks. As for the US pharmacy chain, he said Natco did it to understand the US market and that it has recovered most of its investments.

For Rajeev Nannapaneni, the land bank gives a comfort level. For the Chairman, however, the land bank may actually be required for more plants and a research facility.

As for the future, there are indications even the global majors could be looking at generics as governments try to widen health care with cheaper drugs.

How will Natco deal with this? "By having a hybrid model, focussing on technology platforms and global alliances that spread the risks geographically," says Rajeev Nannapaneni.

And as P. Bhaskara Narayana, Natco's Director & Chief Financial Officer, says: "One of the strategies is to aim for products whose patents are up for challenge and finding a partner ready to bear the cost of filing ANDAs (Abbreviated New Drug Applications) in the US as well as that of litigation." ⊙

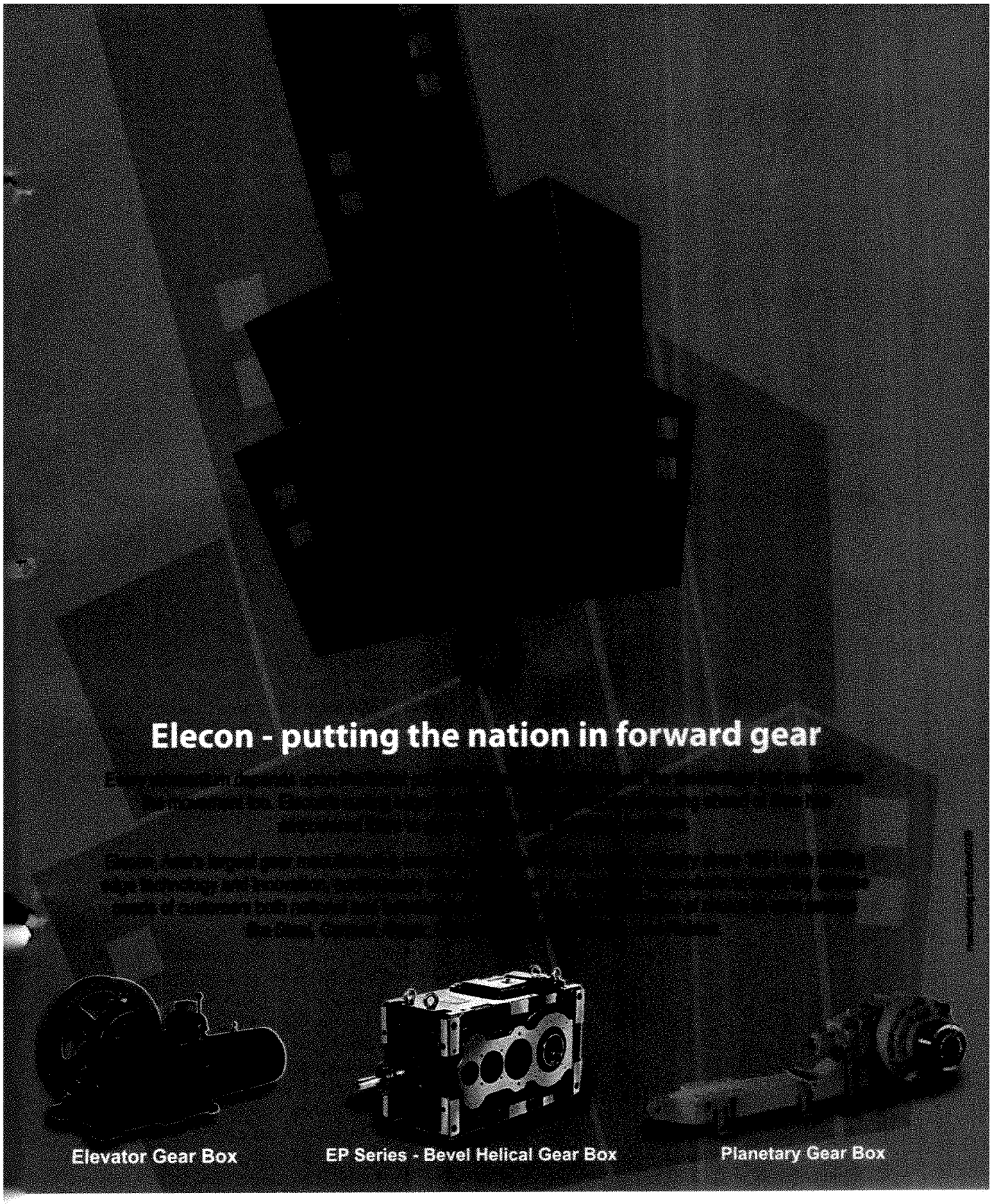
GLOBAL DEALMAKER

Natco has been tying up with pharma majors to enter global markets. This way, it can avoid legal issues, high litigation costs and hassles of regulatory filings.

WITH WHOM: **Mylan, Inc.**
TO MARKET: **Mylan will market its generic version of Copaxone-R (glatiramer acetate), a drug used in the treatment of multiple sclerosis**
DEAL SCOPE: **Supply and distribution agreement**
NATCO'S GAINS: **Upfront payment, assured offtake, milestone payments, royalty/ profit-sharing**

WITH WHOM: **Dr Reddy's Laboratories**
TO MARKET: **Five oncology products**
DEAL SCOPE: **Dr Reddy's to sell products abroad**
NATCO'S GAINS: **Upfront payments, share in profits/ royalties**

WITH WHOM: **Lupin**
TO MARKET: **Generic equivalents of lanthanum carbonate tablets, which are used in cases of kidney failure.**
DEAL SCOPE: **Natco now defending law suits filed by Shire plc, the innovator, which was selling it under the brand Fosrenol. Natco had filed an abbreviated new drug application seeking US FDA's approval for marketing generic versions of Fosrenol in 500 mg, 750 mg, and 1 gm dosages. Lupin will now defend it in the US**



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Harvard Business Review Exclusive

The New Frontiers

How the global slowdown is reshaping competition from emerging markets.

ANAND P. RAMAN

LLOYD MILLER

In 1893, American historian Frederick Jackson Turner declared that a frontier isn't just a place; it's also the process of adaptation and change that shifting borders force on people and institutions. The young Wisconsin professor was describing the role that the frontier had played for three centuries in creating the American nation, but the Turner thesis applies to modern business, too. Over the past three decades, the borders of the corporate world have constantly shifted as developing countries opened their economies to foreign businesses. As a consequence, multinational companies have had to cope with runaway growth, intense competition, greater complexity—and constant change.

Even so, little they have learned has prepared Western companies for the impact of today's great recession on globalisation. Not only is the worldwide slowdown hurting developed economies more than emerging economies, but it's affecting the latter differently and substantively altering their role in the global economy. By the time the slowdown ends, the frontier will have shifted again in unexpected ways.

Today's great crisis is forcing change at three levels. First, the developing countries are becoming relatively bigger markets. Defying the odds, they seem likely to expand by 1.6 per cent overall in 2009, with the International Monetary Fund (IMF) projecting in April 2009 that China's economy would grow by 6.5 per cent, India's by 4.5 per cent, and the West Asia's's by 2.5 per cent. The pace is much slower than the spanking 6.1 per cent at which the emerging markets grew collectively in 2008, but it's remarkable considering the IMF's forecast that the developed

economies will shrink by 3.8 per cent this year.

Second, governments are reshaping the contours of economic development even as they stoke growth through monetary and fiscal policy measures. No government is doing that more than China's, which is using the $586 billion stimulus package it announced in November 2008 to influence demand and supply in 10 industries that together account for 50 per cent of the country's GDP. "The government calls it a stimulus, but it's really redesigning industries," says David Michael, the Greater China head of the consulting firm BCG. "The 'new normal' in many rapidly developing economies will be different after the recession."

Third, competition in developing countries has become more intense. With exports shrinking, companies in those countries are concentrating more on growing their sales at home. The rivalry is particularly heated in markets for commodities, such as steel, cement, and aluminium, and for upmarket and middle-market consumer segments. With multinational companies trying to squeeze more revenues out of developing countries, too, only the fittest businesses seem likely to survive the slowdown.

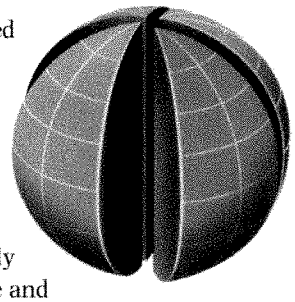
Smart companies in emerging markets have started responding to the challenges these changes pose. In fact, a few of them saw the downturn coming and modified their strategies quickly. Companies in these countries already have an edge because they're the world's cheapest manufacturers and don't need to develop low-cost business models. But before the downturn began, rising resource costs and appreciating currencies had eaten away at their profit margins. Many businesses are using the recession as a pretext to do some spring cleaning and reduce costs. They're restructuring portfolios, halting iffy diversification plans, and consolidating operations.

Some businesses are using the cash they've freed up to develop value-for-money products and services, particularly for rural consumers and those in the lower middle class. Several Chinese manufacturers are using the slackening of demand as an opportunity to develop advanced products of their own, so that they won't always have to serve as subcontractors. In India, Tata Motors' March 2009 launch of the world's most inexpensive car, the $2,000 Nano, has made low-cost innovation a priority for companies and entrepreneurs. There's even a name for the trend: the Nano Effect. And in China, BYD Auto's December 2008 launch of the world's first mass-produced plug-in electric car, the F3DM, which sells for $22,000, has created a similar BYD Effect.

Most Western companies are preoccupied with the crisis in their home markets, but they need to start focussing on the next phase of global growth. If they want to avoid being blindsided tomorrow, they must track five tectonic shifts that are emanating from the developing world.

SHIFT 1

A Growing Divide



Many executives are convinced that the manner in which the recession unfolded across the globe last year underscores the close connections between developed and developing economies. Since the 1990s, countries have become tightly interlinked, primarily by trade and financial flows. A contraction of the developed economies will set off shock waves in emerging markets and send stock markets all over the world tumbling—as has happened in the past year. In this view, it's unlikely that the emerging markets can continue their rise when the advanced economies are falling.

Yet, more and more evidence shows that today's recession will make decoupling a reality.

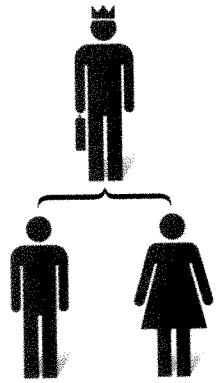
Because demand and investments from OECD nations have fallen at an unprecedented rate, governments of several developing countries—including Brazil, China, India, and South Africa—are trying to reduce their economies' dependence on international trade. Their governments are investing in infrastructure and reducing taxes, particularly on products for low-income consumers. If they succeed in increasing consumption at home—a big if during a global crisis when consumer confidence is low—they will be able to sustain growth even when demand from the OECD nations falls.

Don't forget, the developing nations have also discovered one another. Trade between emerging markets accounted for 40 per cent of their exports and imports in 2007—double the level two decades ago. In fact, half of China's exports went to other developing countries. The longer the recession lingers in the developed world, curtailing demand for natural resources and manufacturing, the more the trade between the developing countries is likely to grow.

Emerging markets and the United States may part ways in another fundamental manner after this recession. Politicians and policy makers have traditionally believed that the United States boasts the best model of a market economy. But American-style capitalism is under fire because of the financial crisis, and the U.S. government bailout has changed the system so much that it's scarcely recognisable. As a result, policy makers in the developing world are likely to slow down the pace of deregulation and consider creating European-style welfare states. For a long time, "capitalism with local characteristics" has been the buzz phrase in China; it soon may become one in the rest of the developing world.

SHIFT 2

The Return of Family-style Leaders



Out of crisis springs opportunity; out of adversity, new leadership paradigms. In developing nations, the new paradigm will come from family businesses and state-owned enterprises.

Many emerging giants are run by families, especially in Brazil, India, Mexico, and Turkey; in China, the state is a surrogate for the family. Succession often becomes an issue in such businesses, so bringing in "professional" management has traditionally been a priority for stakeholders. The established wisdom is that families should list their companies on stock exchanges, hand the reins to corporate executives, and have founders play only supervisory or ceremonial roles. Family conflicts have bedeviled business groups, particularly in India and Latin America, and family-managed companies have been terrible about governance, as the recent Satyam Computer accounting scandal in India shows, so bringing in the pros has appeared to be the best practice.

However, the crisis is stirring up fresh debate about leadership styles and bringing a new breed of quasi-family, quasi-professional leader into the limelight. In emerging markets, the notion that family members and the bureaucrats who run state-owned companies can provide good leadership, particularly in an uncertain environment, is earning greater acceptance.

In Asia and South America, the heads of family-owned businesses wield a great deal of power, which enables them to make decisions and modify strategies quickly—just as entrepreneurs can. Their influence allows them to deal deftly with policy makers, cut through red tape, and use social networks for their companies' benefit. The leaders of government-run enterprises are equally powerful. For instance, Chinese oil companies have often won deals by promising to open the spigots of government aid to African nations.

Enterprises managed by families or governments also find it easy to adopt a long-term perspective. Driven by personal pride or national interest, they don't dance to the tune of the stock market. They pursue long-term strategies even when economic growth collapses, especially because their controlling equity stakes insulate them from takeovers. CEOs like Kumar Birla of the Aditya Birla Group, Pat Davies of Sasol, and Naguib Sawiris of Orascom have stuck to their ambitions during this recession, reassuring stakeholders that they are in it for the long run.

SHIFT 3

A Reversal in M&A

Many emerging giants are in a rush to become global industry leaders, so the moment the liquidity crunch eases, they will hit the takeover trail in developed economies. With Wall Street almost halving companies' values, those predators will be vying to acquire commodity producers, old brands in sunset industries, and state-of-the-art technologies in sunrise industries.

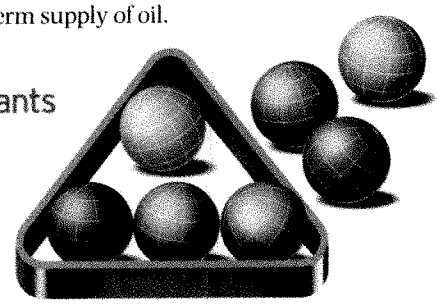
The next reverse M&A wave will differ from the previous one in three ways. One, Indian companies set the pace for cross-border deals in 2007, but companies from China, Brazil, and even Russia will take the lead in the future. Those companies are cash-rich and less leveraged than Indian companies, which borrowed heavily from banks before the recession to complete several major deals—such as Tata's purchase of Jaguar Land Rover and Corus, and Hindalco's purchase of Novelis.

Two, Chinese and Latin American companies will use M&A to internationalise rather than globalise. They will try to buy several businesses in the same country or in neighbouring countries instead of hankering after one company with worldwide operations. The number of cross-border Latin American deals done by Brazilian companies, for instance, jumped significantly in the past few years, going from just two in 2005 to 11 in 2006 to a record 25 in 2007, according to the Zephyr database. In 2008, Brazilian companies acquired 23 more enterprises to create pan-Latin American leaders, or multi-Latinas.

Three, companies will acquire more small and midsize businesses overseas instead of acquiring giants. Indian companies may not have much of a choice; they're busy digesting the big companies they took over before the financial crisis erupted and so will focus on small and strategic acquisitions. The shift has also become perceptible in China since global acquisitions left both TCL and Lenovo with hangovers.

Emerging giants will also experiment with new ways to strike up partnerships overseas, particularly to secure raw materials in other developing countries. For instance, China's banks have been buying stakes in or extending loans to foreign companies. China Development Bank recently lent $10 billion to Brazil's Petrobras in exchange for a long-term supply of oil.

The moment the liquidity crunch eases, emerging giants will hit the takeover trail in developed economies.

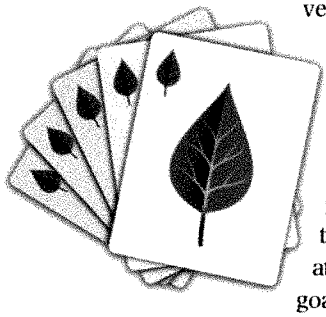


SHIFT 4

Higher Stakes in Sustainability

Money is often colourful in emerging markets, but it is turning green everywhere. Many enterprises recognise that if they don't develop eco-friendly products, packaging, and manufacturing processes by the time the recession ends, they may be shut out of premium segments by multinational rivals. The drive into nonurban markets in China and India is reinforcing the message with a twist: Sustainable solutions are essential to people who don't have access to water, electricity, or clean air. For these rural customers, companies need to develop products that can work with small quantities of water or electricity or that use alternative sources of energy such as solar power. NGOs, labour organisations, and governments are also compelling companies to develop more sustainable products; their environmental standards have become business norms in export markets.

Many emerging giants think they can leapfrog rivals in developed countries, which are just starting to get serious about eco-friendly products. That creates a level playing field —for the first time. For instance, BYD was able to launch its plug-in hybrid two years before GM, which will launch the Volt in 2010, and a year ahead of Toyota, whose plug-in hybrid is due in late 2009.

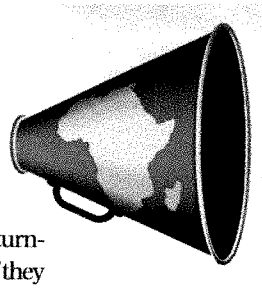


Stung by Western criticism, governments of some developing countries are tackling environmental problems and pressuring local companies to go green. Take China, where automobiles are responsible for as much as one-fifth of carbon emissions. The Chinese government has recently imposed tougher emission guidelines and created a carbon-based taxation system. Its goal is to have 10,000 hybrid, electric, and fuel-cell vehicles in 10 cities by 2010. The State Grid Corporation of China is setting up charging stations for the cars in Beijing, Shanghai, and Tianjin initially. With demand for hybrid, electric, and fuel-cell vehicles in China likely to reach 100,000 a year by 2012, the Chinese automobile company Chery has already followed in BYD's footsteps and launched a plug-in hybrid car in February, and its rival Geely plans to unveil its plug-in hybrid later in 2009.

SHIFT 5

The Call of Africa

Africa is bound to beckon when emerging giants hunt for growth again. The developed nations will return to health slowly, and emerging markets are tough to crack, so the lure of the world's second-largest continent will be inescapable. The IMF forecasts that Africa's economy will grow by 2 per cent in 2009. Although that's below its 2008 growth rate of 5.2 per cent, the decrease is due mostly to a fall in the prices



of commodities that Africa exports.

Africa isn't integrated with much of the developed world, but it does have trading relationships with developing countries in Asia, so it will probably recover in tandem with those markets. In later years it may start catching up with them: According to a Goldman Sachs report, South Africa's per capita GDP will surpass the per capita GDPs of Brazil, Russia, India, and China by 2050, even though the South African economy will be smaller than any of the four BRIC economies.

Africa is a market of around 1 billion people, just shy of India's 1.1 billion. Cynics will say it isn't a country but a continent. They're right, but then people say the same thing about China and about India, whose regions differ as much as African nations do. Those differences haven't prevented companies there from learning to adapt to local conditions.

Many multinational companies, such as Coca-Cola, Unilever, and Novartis, already do business in Africa. Several Chinese and Indian companies have also found it easy to operate there; they're accustomed to dealing with regional variations and can adapt the business models they use at home. India-Africa trade was an estimated $20 billion in 2006. China's trade with Africa shot up from $10 billion in 2000 to $32 billion in 2006. While India had invested some $2 billion in Africa, China had committed more than $8 billion by 2008.

According to Vijay Mahajan, a University of Texas, Austin, marketing professor who wrote the book *Africa Rising* in 2008, the continent's premium segment, which he calls Africa One, consists of about 50 million to 150 million people, and the bottom-of-the-pyramid segment, Africa Three, consists of about 500 million to 600 million. Both segments are tough to crack, he says. Companies should target Africa Two, the middle-class segment, which, at somewhere between 350 million and 500 million people, is bigger than India's middle class.

In recent weeks, economists have been wondering what shape a recovery might take in developing countries. Will it be a V—a sharp rebound? Will it be a U—a gradual recovery? Or will it be a W, as economies rise and fall before rising again? Whichever it might prove to be, the recovery will spell "threat" with a capital T because many emerging giants will come out of the recession lean, mean—and green. ⊙

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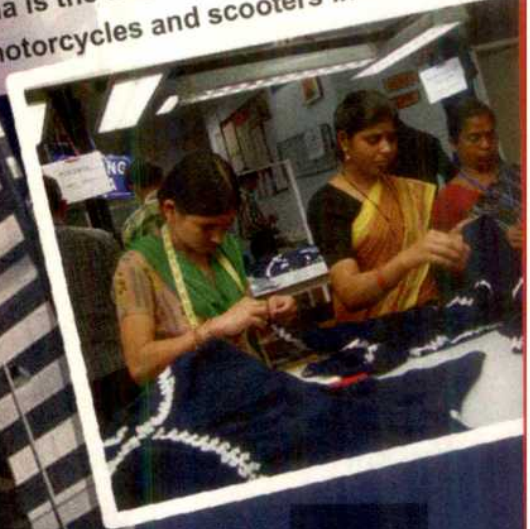
Destination HARYANA

Bhupinder Singh Hooda
Haryana Chief minister

What a time to invest in Haryana

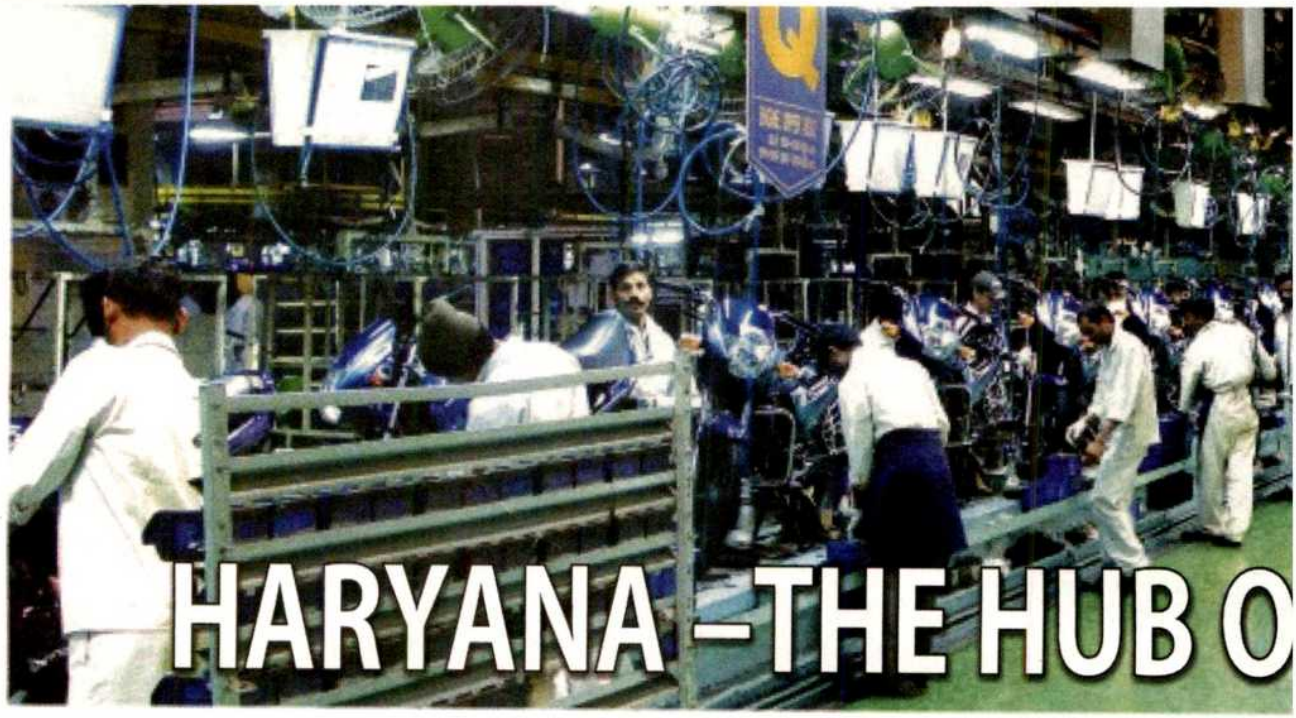
Haryana is on the threshold of global transformation. With HSIIDC catalysing massive infrastructure projects, Special Economic Zones, World-class express-ways and new power generation schemes, Haryana is a natural choice for the industrialists across the world.

Haryana is the largest producer of passenger cars, motorcycles and scooters in India.



HSIIDC Building Infrastructure - Attracting Entrepreneurs

HARYANA
LIVING THE FUTURE



HARYANA – THE HUB O

"Our investor-friendly policies are attracting new investors, both Indian and foreign. It is proving a boon for the development of the state. Industrial projects worth Rs 40,000 crore have already been implemented and an investment of Rs 90,000 crore is under active implementation. Haryana's economy is one of the best among the states. Haryana has attracted direct foreign investment worth Rs 12,500 crore of which Rs 9,000 crore came after the implementation of the new industrial policy of 2005. Every month we have been receiving new proposals."

- Bhupinder Singh Hooda
Haryana Chief Minister

Haryana today rightly harnesses the progressive thrust of industrialisation by steering, pacing and channelising it with tried and tested innovative techniques. By instituting new infrastructural and organisational set-ups, Haryana has become the paradigm state in modern India.

Backed by a clear vision and an immense practical sense of Chief Minister Bhupinder Singh Hooda, Haryana has turned into an industrial giant ushering in an era of equity and social development. During the last four and a half years, Haryana has emerged as the first choice of investors worldwide. The base for this massive industrial development has come from the highly-developed agriculture sector and its sturdy farmers, peaceful environment, excellent law and order, best infrastructure, cordial labour relations, availability of intellectual and skilled manpower and its hard-working people. All this makes Haryana the first choice of investors.

The face of India is changing fast and Haryana is today the embodiment of a progressive state that means business. Industrial development is at its peak and the state has witnessed a boom in this sector.

It has a strong industrial base of about 1,347 large and medium industries and 80,000 small scale industries. As many as 1,000 projects have come up with foreign technical and financial collaboration.

The state today produces more than 50 per cent of passenger cars, 55 per cent of motorcycles and 25 per cent of tractors manufactured in the country. This makes it the largest producer of passenger cars, motorcycles and

scooters in India. About 25 per cent of India's total production of sanitaryware is from Haryana. One out of every four bicycles is manufactured here. No wonder it has an industrial graph that is constantly on the rise, says Haryana Industries Minister Lacchman Das Arora.

Besides, Haryana has added many feathers to its cap. Today, it is the largest exporter of basmati rice and handloom products and among the largest exporters of readymade garments in India. While Gurgaon stands third in software export in the country, Panipat is the biggest centre for producing yarn and blankets. Essentially, the base for this massive industrial development of the state has come from the highly-developed agriculture sector and a well thought out industrial growth plan.

A tremendous boost has been given to the development of infrastructure by the government in the last four and a half years. Industrial projects involving an investment of Rs 90,000 crore are being implemented; projects worth Rs 40,000 crore have already been implemented, he adds.

HSIIDC kicks high growth

The industry-friendly policies pursued by the Bhupinder Singh Hooda government have made Haryana the cynosure of all investing eyes, both domestic and global. No wonder the state has succeeded in attracting a sizeable investment from multinational companies, large business houses, foreign investors, NRIs and small scale entrepreneurs. In fact, Haryana has carved a niche for itself as an industry-friendly state that offers a rich reservoir of skilled, motivated and relatively low-cost manpower with good infrastructure and harmonious industrial relations. Occupying just 1.37 per cent of the country's geographical area and housing 1.97 per cent of its population, Haryana has the highest per capita income among larger states and the second highest in the country after Goa.

The objective of the industrial policy is two-fold -- to generate employment and create investment and facilitate dispersal of economic activities, particularly in the backward areas of the state.

Simplifying the rules and regulations

Y S Malik
Secretary Industries

"With a view to implementing the policy, a multi-pronged strategy has been adopted to achieve the objective of attracting investment worth Rs 2 lakh crore and generating employment for two million people in the next 10 years. This has been sought to be achieved by simplifying the rules and regulations, creating an effective institutional mechanism, developing strong infrastructure and giving incentives and concessions to industry, particularly in the backward areas."

Nurturing new ventures

"During the tenure of the Hooda Government, 613 industrial entrepreneur memoranda have been filed, catalysing an investment of Rs 15,680 crore and creating employment for 1.7 lakh people in the large and medium sector," says Industries Director Arun Kumar.

A total of 291 units were registered with the Centre as 100 per cent export-oriented units (EOUs). Of these, 131 EOUs have gone into production, creating an investment of Rs 2,086 crore and providing employment to 14,572 people.

At present, 26 cent per cent EOUs are being implemented, which will catalyse an investment of Rs 954 crore and provide employment to 2,717 people. Furthermore, where licensing is compulsory, the Centre has granted 99 industrial licences since July 1991. Of these, 72 were implemented generating an investment of Rs 688 crore and employment to 18,636 people.

So far, Haryana has received the FDI worth Rs 12,500 crore of which Rs 9,000 crore came after the implementation of the new industrial policy in 2005.

Exports cross Rs 30,000 cr mark

The exports from Haryana touched the Rs 30,000 crore mark in 2007-08 and it is estimated to be Rs 40,000 crore in 2008-09. The main items being exported are software, handloom products, scientific instruments, garments, automobiles and automotive components, electrical appliances, rice and pickles.

For simplifying procedures for setting up industry, the institutional mechanism has been strengthened. Two investment promotion centres -- in New Delhi and Chandigarh -- have been set up to act as a single-point contact agency to provide

HSIIDC MD Rajeev Arora, Chairman M L Tayal and Industries Secretary Y S Malik present a cheque of Rs 7.5 crore to Chief Minister Bhupinder Singh Hooda as a dividend by the Corporation.

information and guidance for venture location.

With a view to facilitating time-bound clearances/approvals from the state government agencies, the Haryana Industrial Promotion Act, 2005, has been enacted and a self-certification scheme introduced.

Haryana is the first state to have introduced a labour policy to create a friendly environment and to bring cordial relations between the employers and employees, says Surina Rajan, Labour Commissioner, Haryana.

Impetus for infrastructure

For development of industrial infrastructure, the state government has designated the Haryana State Industrial and Infrastructural Development Corporation (HSIIDC) as the nodal agency. The Corporation is acquiring about 20,000 acres of land for development of industrial estates/parks, new economic hubs, special economic zones, mega petrochemical hubs, industrial model townships, theme parks , food parks, a gems and jewellery park, an apparel park/textile park and a footwear and leather garments park.

The HSIIDC has allotted more than 100 industrial plots for projects involving capital investment of more than Rs 30 crore each. These projects are located at Integrated Modern Township (IMT), Rohtak, Growth Centre, Bawal, IMT Manesar, Industrial Estate, Barhi, Industrial Estate, Kundli and Udyog Vihar, Gurgaon.

HSIIDC Managing Director Rajiv Arora says, "We have drawn up an ambitious plan to develop new industrial estates

M L Tayal
HSIIDC Chairman and
Principal Secretary to CM

Growth despite slowdown

Despite the current global economic situation, industrial investment in Haryana has shown an upward trend with the state attracting capital investments of Rs 3,000 crore in the last six months.

Haryana has the honour of receiving the highest number of SEZ proposals in the country. The state government has also enacted the Haryana Special Economic Zone Act to facilitate the setting up of a large number of industries having export commitments. As many as 97 proposals to set up SEZs in Haryana, with an investment of Rs 2 lakh crore have been received. It is envisaged that an industrial investment of Rs 2 lakh crore and employment for 20 lakh people will be created through these SEZs.

The Reliance Industries has signed an MoU with the Haryana State Industrial and Infrastructural Development Corporation (HSIIDC) to set up a mega SEZ in a joint venture at Gurgaon and Jhajjar. These projects will be developed on 25,000 acres of land. The infrastructure investment on this project is Rs 40,000 crore and will catalyse industrial investment of Rs 1 lakh crore and generate employment opportunities for five lakh people. The multi-product SEZs at Gurgaon and Ambala are being set up by DLF Universal and at Sonipat-Kundli by Unitech.

Rajiv Arora
HSIIDC Managing Director

"We have drawn up an ambitious plan to develop new industrial estates and expand a number of existing ones. Four new IMTs are being set up at Rohtak, Kharkhauda, Faridabad and Jagadhri."

MAJOR PROJECTS ON THE ANVIL

- **The Indian Oil Corporation is setting up a mega naptha cracker project with downstream polymer units at Panipat with an investment of Rs 12,000 crore.**
- **HSIIDC with IOC is developing a petro-chemical hub at Panipat for the downstream industries of the Panipat refinery. It will be a prime driver of growth in the future.**
- **The Industrial Model Township at Manesar will provide facilities of international standard.**

and expand a number of existing ones. Four new IMTs are being set up at Rohtak, Kharkhauda, Faridabad and Jagadhri." The IMT at Rohtak has already attracted investment from Asian Paints, which is setting up the largest manufacturing plant in Asia over an area of 160 acres at a cost of Rs 600 crore. Besides the IMTs, a new industrial estate is also being planned at Sohna in Gurgaon over an area of 1,500 acres. A petrochemical hub is also being developed at Panipat for the downstream industries of the Panipat Refinery. The hub is to be developed under the PPP model, in two phases over an area of 2000 acres and will have state-of-the-art infrastructure. About 900 acres of land has already been acquired for this. The expansion plans are also afoot in IMT Manesar, Saha, Bawal, Barhi and Kundli.

Policy shapes growth

To give further impetus to industry, the Hooda government has adopted the New Industrial Policy, which came into effect in June 2005. A multi-faceted approach has been adopted to provide the best of the infrastructure, simplification of rules and regulations governing industry, efficient institutional mechanism and incentives to the industry in the backward areas of the state. The policy has also envisaged boosting service sector, including information technology, bio-technology and tourism. The government has identified agro-based and food processing industries, electronics and information technology, automobiles and automotive components, handloom, hosiery, textile and garment manufacturing, export-oriented units and footwear, leather garment and accessories' industries as thrust areas for the economic development of the state.

Destination par excellence

To strengthen industry-related infrastructure and improve connectivity, a six-lane,135-km-long Kundli-Manesar-Palwal Expressway is coming up, which

Reaching Milestones

- Haryana produces 50 per cent of the total cars being manufactured in the country and 50 per cent motorcycles and 25 per cent sanitaryware. Every fifth bicycle being manufactured in India is from Haryana.
- In the last 40 years, the state had a capital investment of Rs 40,000 crore whereas after the Hooda government came to power, investment proposals of Rs 40,000 crore have been implemented. Investment proposals worth Rs 90,000 crore are also in the pipeline.
- Haryana has a per capita investment of Rs 78,500, the highest in India.
- Under the present Hooda government, the state received a foreign direct investment of Rs 9000 crore whereas it had received only Rs 3,500 crore in the last 40 years.
- The plan outlay budget which was Rs 2,236 crore in 2004-05 has been raised to Rs 10,000 crore in 2009-10.
- The state government implemented the new industrial policy to attract an investment of Rs 2 lakh crore and generate employment for 10 lakh people.
- A petro-chemical hub is being set up in Panipat over an area of 5,000 acres at a cost of Rs 35,000 crore. It will employ 50,000 people and facilitate the setting up of 3,500 auxiliary units.
- There is a proposal to set up 97 SEZs with an investment of Rs 2 lakh crore to promote exports. As many as 64 of these SEZs have been accorded a formal approval. More than 21 lakh people will get employment as a result of these SEZs.
- The exports from Haryana touched the Rs 30,000 crore mark in 2007-08 and estimated to touch Rs 40,000 crore in 2008-09. The software exports alone have touched the Rs 18,000 crore mark.
- A footwear and leather garment park is coming up at Bahadurgarh.
- A Central Institute of Plastic and Engineering Technology is coming up at Panipat.
- The HSIIDC has undertaken the development of the KMP Expressway. New integrated townships will come up along the expressway.
- During the tenure of the present government, 98 new big and medium scale and 7,683 small scale industrial units have come up with an investment of Rs 5,465 crore.

will facilitate in a better connectivity of Haryana with other parts. Economic hubs will be developed around this expressway and these will generate large economic activities and employment. The expressway will pass through major towns from Kundli in Sonipat on NH-1 to Palwal in Faridabad on NH-2 via Jhajjar, Bahadurgarh and Manesar. The expressway will be built on BOT basis at a cost of Rs 1,200 crore for construction and Rs 630 crore as the cost of land. The project has been awarded to Madhucon-Apollo-DSC Consortium with a concession period of 24 years. The process of acquiring about 3,450 acres of land for the project has been completed. Haryana Financial Corporation is playing a fundamental role in providing much-needed finances to the entrepreneurs. The procedure for getting loans has been simplified. Consumer meets are organised at regular intervals at the district level to facilitate setting up of new industries and expansion of the existing ones, says Dheera Khandelwal, MD, Haryana Financial Corporation.

Rapid strides

Under the leadership of Mr Bhupinder Singh Hooda, Haryana has taken rapid strides on the development front. Since its inception in November 1966, it has taken a big lead in social and economic advancement. The state stands out for its progressive policies which have led to an improvement in the quality of life for its residents through focused development of agriculture, industries, commerce and trade, and creation of excellent social infrastructure. It is recognised as a state trying to orchestrate improvement in every parameter involved in guiding investment decision. The government firmly believes that there is a need for rapid industrial growth on a sustainable basis to achieve the twin objectives of economic development and generation of adequate employment. The government has formulated a fresh industrial policy to streamline the procedure of allotment, transfer and leasing of industrial plots and to ensure better utilisation of infrastructure and speedy industrialisation. Haryana stands second in terms of infrastructure development, according to a CMIE report. It also enjoys the distinction of being among the top investor-friendly states, with an unmatched track record in law and order and responsive administration. ■

What a time to invest in Haryana

Haryana is on the threshold of global transformation. With massive infrastructure projects, Special Economic Zones, World-class expressways and new power generation schemes, Haryana is a natural choice for the industrialists across the world.

The new Industrial Policy has enhanced setting up of new industrial units and has generated large scale employment. To attract domestic as well as foreign direct investment and for dispersal of industry to backward areas, the state provides various incentives to the new industrial units like Incentives for mega projects in backward areas, exemption from LADT for a period of five years, incentives for SSI in backward areas, incentives for exporting units and incentives for food processing industries

Come and invest in Haryana

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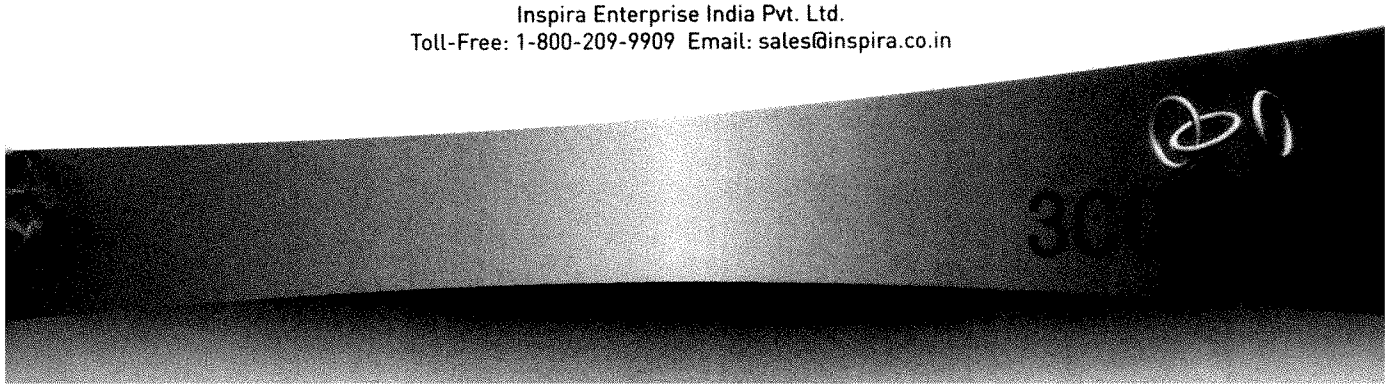

Taking the Plunge: Senior executives of TI Cycles at the company's cycle trail in the Chennai factory

Making Its Own Market...

...But for how long? TI Cycles has reinvented itself and the way it sells bicycles in order to achieve higher growth. This strategy may be reaching its limits. N. MADHAVAN

H.K. RAJASHEKAR

Come September, TI Cycles will complete 60 years. But the maker of iconic brands BSA and Hercules is grappling with a challenge usually faced by startups: how to grow itself and expand the market, too. The Indian bicycle market, the third biggest in the world after China and USA, has barely grown over the last 10 years with volumes just about increasing from 11 million units to 12 million. As disposable incomes grew, cycles became uncool—the age profile of cycle users has narrowed from 2-25 years a decade ago to 2-14 years today. Motorcycles and scooterettes have become more affordable and attractive with cheap finance and more models. No wonder, India consumes just 10.50 cycles per thousand people compared to Japan's 84.30, USA's 56.1, Malaysia's 33.6 and China's 18.

The bicycle companies found themselves pedalling uphill, without gears. TI Cycles' revenue stayed between Rs 450 crore and Rs 500 crore between 2000-01 and 2005-06. With just four large players—Hero, Atlas and Avon, apart from TI Cycles—accounting for over 90 per cent of total cycle sales, competition is fierce (they do not even share their production and sales numbers!). Steep discounts, perennial schemes to push volumes and extended credit periods also tempered profits. TI Cycles' profits (before interest and tax) hovered around Rs 20 crore for most part of this decade.

The Change

In 2005-06, a new (and a younger) team took the saddle at TI Cycles and began looking for ways to change the pace. "We realised that the cycle industry was not doing enough for demand creation. There were no fresh ideas, no significant investments and over time the products had become irrelevant, too. We decided to take the leadership and bring about a transformation in the way the industry operated," says L. Ramkumar, Managing Director, Tube Investments of India Ltd. (of which TI Cycles of India is a division).

The company began to market cycles differently. It started selling cycling instead of cycles! "We decided to address the issue of cycling itself. It was a directional shift from selling products to experience. By making cycling relevant

BUSINESS
Manufacture and sale of bicycles; recently forayed into e-bikes and fitness equipment

THE PROBLEM
Achieving a higher rate of growth and profitability in an industry witnessing stagnant volumes

THE ACTION
Sell the concept of cycling, not cycles; set up modern outlets, diversify into fitness equipment and e-bikes

THE CHALLENGE
Cycling will take a while to catch up and growth by pinching market share has its limitation

THE WAY FORWARD
Exports can deliver high-growth; overcome technology and brand-related challenges

we can get people (who had exited cycles) back on the saddle," explains B.K. Singh, Vice President, Sales & Marketing, TI Cycles. All the communication and promotional activities were re-focussed to promote cycling—a healthy and environmental-friendly activity.

Simultaneously, it also began to work with dealers and started rolling out modern retail outlets. "We desperately needed to improve the shopping experience. Dingy shops in congested places and poor display of models invariably meant that people ended up buying the wrong cycle, which contributed to poor satisfaction levels leading to people exiting cycles altogether," says Singh. Today, TI Cycles has 90 stores (BSA Go, Track & Trail, etc.) in five different formats and over 240 Hercules BSA zones (shop in shop) inside major dealer outlets. In a bid to bring urban adults back to cycles, the company launched newer models and tied-up with international brands such as Canondale (USA) and Bianchi (Italy) to offer their latest bikes for sale in India.

TI Cycles also decided to leverage its BSA and Hercules brands to a wider age group by venturing into fitness equipment and battery-operated e-bikes. "Our brands stood for fun, freedom, fitness and environment. We saw fitness equipment for home segment as a good business fit with health awareness just about beginning to spread. We wanted to offer e-bikes to people exiting cycles and looking for an environment-friendly option," explains D. Raghuram, Senior Vice President, Bicycles & Fitness, TI Cycles.

These measures coupled with back-end measures such as vendor development, revamping of manufacturing—outsourcing most component production and limiting in-house production to just frames and forks and setting up production facilities in Nasik and Noida (closer to the markets and supply chain) saw sales jump to Rs 736 crore in 2008-09 (from Rs 577 crore in 2007-08) and profit (before interest and tax) to Rs 29.20 crore (up from Rs 21.80 crore in 2007-08).

SOLUTION-1

Hit the Export Track

BY V.G. RAMAKRISHNAN
Director, Consulting, Automotive & Transportation Practice, Frost & Sullivan, South Asia & Middle East

The cycle is fondly remembered by all of us as the first sign of personal freedom and mobility. As motorcycles and scooterettes became more affordable and available, cycles declined in urban as well as rural markets. So, are cycles destined to fade away like the typewriter? The answer is: "NO!"

Some of the measures taken by TI Cycles have accelerated its growth by nearly 30 per cent, against the market growth of less than 10 per cent. The strategy has been to change the shopping experience and shift market shares and this seems to have worked well.

Sustaining higher growth in a slow growth market also requires dominant players to create market segments and regenerate interest among age groups that have moved away. For example, many upwardly mobile professionals use cars for shopping in their neighbourhood. This segment may switch to cycles if it is seen as a 'cool' thing, given the health and environmental gains. TI could also explore the possibilities of entering the toddler segment, now dominated by smaller companies.

It is likely to face stiff competition in exports, but there are few industries globally that do not face competition from China.

TI should also give serious consideration to exports, especially if it has to de-risk its market concentration. It is likely to face stiff competition in exports, but there are few industries globally that do not face competition from China. Product innovation would be necessary to stay competitive.

Although TI has entered fitness equipment and e-bikes, it should treat these lines as a separate business unit and not sell them through its existing network, as it is doing now presumably for short-term savings in distribution costs.

Investing in e-bikes will be important for TI to grow as it capitalises on the current trend towards environment-friendly transport.

Challenges Remain

With the overall industry volume remaining stagnant, pinching market share from the competition has its limits—especially when the competition is strong and has already begun replicating TI Cycles' successful strategy. The market is also refusing to evolve. Acceptance of premium bikes is still low (less than 1 per cent) with the standard black and green bikes accounting for 45 per cent of the sales and special bikes making up for the rest. The company's effort to popularise cycling and thus grow the industry also has limitations as the infrastructure in India is anti-cycling. In the absence of dedicated cycle tracks, Indian roads are a cyclist's nightmare. Also, there is a social stigma attached to cycles—more so in rural areas—where shifting to a motorbike or moped is a wealth statement.

E-bikes are still a nascent and low-volumes market in India and world over its sales have been driven only by governmental sops. Selling home fitness equipment would call for path-breaking marketing and financing schemes to make it a part of every Indian household.

At 40 million bikes a year, export is a big opportunity. Demand for cycles in USA grew by 20 per cent in 2008. Europe, too, witnessed a double digit growth. In some markets demand is such that there is a waiting period for cycle delivery! But TI Cycles—which was exporting about four lakh bikes a year worth Rs 80 crore to Europe in the early '90s—has been left watching from the sidelines, as it had quit the export market in the mid-'90s in the face of cheap Chinese bikes.

TI is trying to play catch up, shipping frames and forks to a French sports retailer. "USA and Europe have moved far ahead of India in cycle technology. They prefer carbon fibre bikes while we are still a steel bike market. Carbon fibre is a difficult technology to master and the entire component eco-system needs to be developed. It is a priority area for us but will take a while," says Raghuram. TI Cycles also has a brand issue to contend with. It can use the BSA and Hercules brands only in India and a few neighbouring countries.

"We would want to emulate Taiwan, which is a major player in the premium export market. We are constantly evaluating options. When opportunity comes, we are not going to sit quiet," sums up Arun Alagappan, Senior Vice President, Retail and BSA Motors, a next-gen member of the promoter family responsible for some of these changes. ⊙

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SOLUTION-2

Fancy Segment Holds the Key

BY VIKRAM KAPUR
President, Atlas Cycles

In India, the cycle industry is largely divided into kids, fancy and standard segments. While the fancy segment is getting bigger, the standard segment is slowly shrinking. Though the kids segment (4-8 years) is growing steadily, it is not on the radar of big bicycle manufacturers due to the wafer-thin margins. They prefer to import them from China or contract manufacture them through smaller players.

Today, most bicycle companies including TI Cycles face similar challenges. The prices of steel, a crucial raw material, have almost doubled in the last two years. The steep jump in the minimum wages has only been adding to the woes. The bottom line has been under pressure as there is little scope for increasing the product prices from the current levels.

In such a scenario, the only way out is to focus more on the fancy segment. More and more urban adults, including office-goers and students, are taking to cycling as a mode of recreation and fitness. Considering the rising fuel costs and pollution, it looks likely that more young urban people will switch to this low-cost mode of transport. This segment can bring in relief to TI Cycles as the affordability range is higher and there is more scope for innovations. However, I think the cycling culture will take some more time to develop.

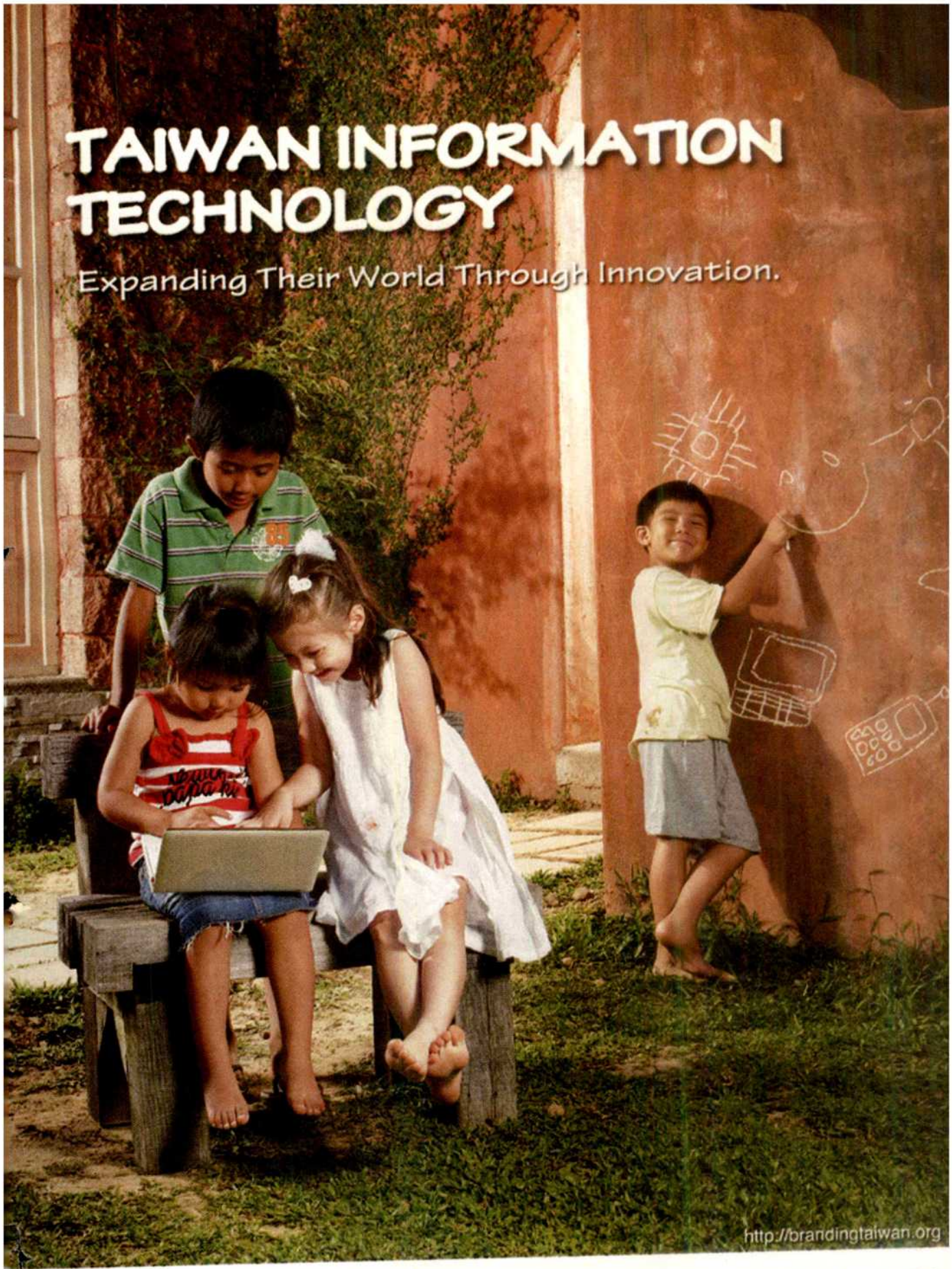
TI Cycles could also benefit from many state governments' plans to subsidise cycles for school-going kids in rural areas.

TI Cycles could also benefit from many state governments' plans to subsidise cycles for school-going kids in rural areas.

Rural markets, which are primarily suited to the standard segment, can't contribute much to the sales in future. Rising incomes and easy finance facilities are prompting people to go for motorcycles.

There is also huge potential for companies like TI Cycles to expand its presence in the international markets. But even on that front, companies need support from government in terms of better transport infrastructure and subsidies.

As told to MANU KAUSHIK



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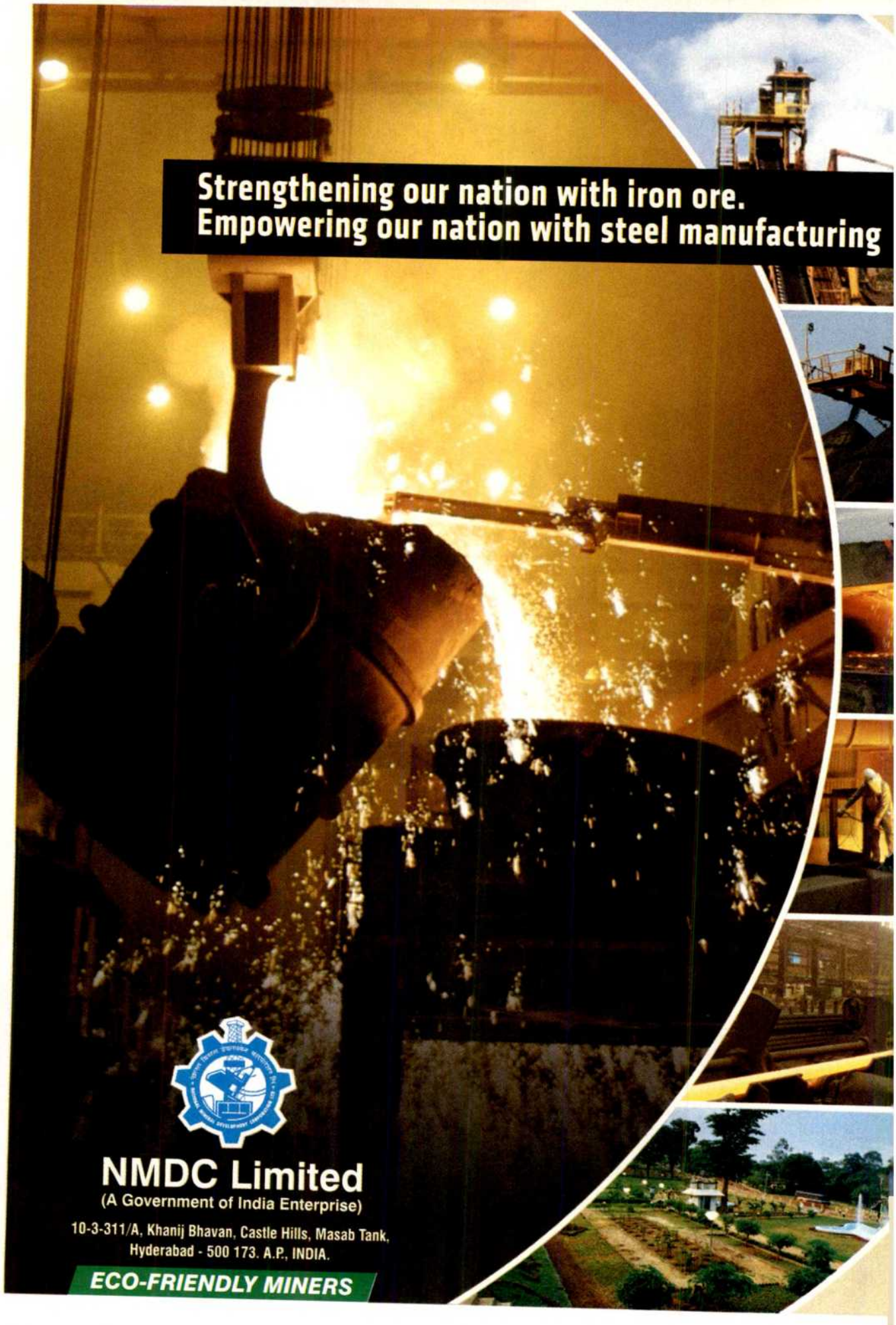
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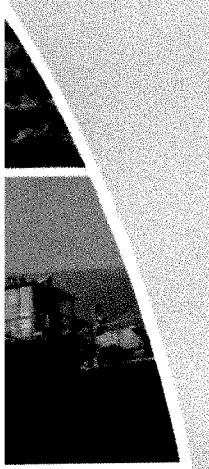
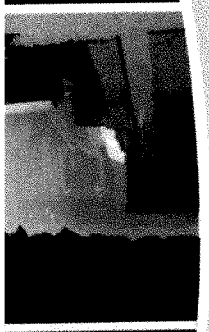
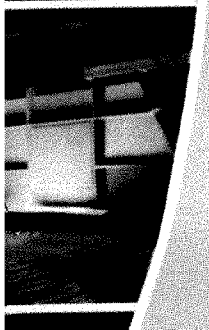




UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30-JUN-09

(Rs. In crore)

	Unaudited		Audited
	Three months ended		Year to date
	30-Jun-09	30-Jun-08	31-Mar-09
1. Net sales / Income from operations	**1,278.05**	**1,673.15**	**7,564.03**
2. **Expenditure**			
a) Increase (-) / decrease (+) in stock in trade	11.56	-25.82	-127.39
b) Consumption of Stores & spares	42.86	34.84	213.52
c) Employees Cost	92.67	64.54	421.10
d) Selling Exps incl. Freight out	101.98	210.71	854.18
e) Depreciation & DRE	5.18	16.90	77.02
f) Other Expenditure	80.67	72.71	361.41
TOTAL	**334.92**	**373.88**	**1,799.84**
3. Profit from operations before interest & exceptional items (1-2):	**943.13**	**1,299.27**	**5,764.19**
4. Other income	229.01	189.22	884.04
5. Profit before interest & exceptional items (3+4)	1,172.14	1,488.49	6,648.23
6. Interest	-	-	-
7. Profit after interest but before exceptional items (5-6)	1,172.14	1,488.49	6,648.23
8. Exceptional Items	-	-	-
9. Profit before Tax (7+8)	**1,172.14**	**1,488.49**	**6,648.23**
10. Tax expense	398.39	507.18	2,275.85
11. Net Profit from ordinary activities after tax (9-10)	773.75	981.31	4,372.38
12. Extraordinary Items (net of tax expense Rs.-)	-	-	-
13. Net Profit for the period (11-12):	**773.75**	**981.31**	**4,372.38**
14. Paid-up Equity Share Capital:	396.47	396.47	396.47
Face value per share	Re.1/-	Re.1/-	Re.1/-
15. Reserves excluding revaluation reserves			11,240.44
16. EPS for the Period (Rs.)-Basic and diluted before and after extraordinary items	1.95	2.48	11.03
	(Not Annualised)		(Annualised)
17. Public share holding			
- Number of Shares			6,40,54,620
- Percentage of shareholding			1.62
18. Promoters and promoter group shareholding			
a) Pledge / Encumbered			
- Number of Shares	--	--	--
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	--	--	--
- Percentage of shares (as a % of the total share capital of the company)	--	--	--
b) Non Encumbered			
- Number of Shares	3,900,661,380	3,900,661,380	3,900,661,380
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00
- Percentage of shares (as a % of the total share capital of the company)	98.38	98.38	98.38

SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT

(Rs. In crore)

	Unaudited		Audited
	Three months ended		Year ended
	30-Jun-09	30-Jun-08	31-Mar-09
1. **Segment Revenue** (net sale / income from each segment)			
a) Iron Ore	1,275.63	1,672.25	7,559.11
b) Other Minerals & Services	2.42	0.90	4.92
Total	1,278.05	1,673.15	7,564.03
Less : Inter segment revenue	--	--	--
Net sales / income from operations	**1,278.05**	**1,673.15**	**7,564.03**
2. **Segment Results** (profit (+)/loss (-) before tax and interest from each segment)			
a) Iron Ore	964.00	1,324.72	5,941.27
b) Other Minerals & Services	12.72	-2.62	-22.13
Total	976.72	1,322.10	5,919.14
i) Less : interest	--	--	--
ii) Add : Other unallocable income net off unallocable expenditure	195.42	166.39	729.09
Total Profit before Tax	**1,172.14**	**1,488.49**	**6,648.23**
3. **Capital Employed** (Segment assets-Segment Liabilities)			
a) Iron Ore	1,620.23	629.40	1,766.58
b) Other Minerals & Services	18.54	-4.94	58.52
c) Other offices	10,452.22	8,444.57	9,527.80
Total	**12,090.99**	**9,069.03**	**11,352.90**

1. Sales revenue of iron ore has been recognised as per the revised sale prices with effect from 01-04-2009
2. After complying with the conditions imposed by the Hon'ble Supreme Court, the Panna Diamond Project has commenced its operations from 19th Jun 2009. Consequently the provision for impairment of assets amounting to Rs.15.37 crore has been reversed and credited to Depreciation in the current quarter.
3. It has been decided to lease / sell the plant and machinery of Silica Sand Project, Lalapur and action has been initiated accordingly. There is no change in the status of UPFO plant, which is under 'care' & maintenance".
4. The Company has received 'NIL' complaints from investors and therefore, complaints lying unresolved at the quarter ended 30-Jun-2009 be treated as "NIL"
5. The above results have been reviewed by the Audit Committee at its meeting held on 29-July-2009 and approved by the Board of Directors at its meeting held on 29-July-2009.

For and on behalf of **NMDC Ltd.**
Sd/-
(Rana Som)
Chairman-cum-Managing Director

Place : Bangalore
Date : 29-July-2009

Website: www.nmdc.co.in

Pause on the Bull Run

Most market experts expect the Sensex to remain in 12,000-16,000 range for a while—unless the government lifts the sentiment with big-ticket reforms. RISHI JOSHI AND VIRENDRA VERMA

It's a widely-held belief that the IPO market takes a strong cue from the secondary market. This, then, should be the time when the Indian primary market is a beehive of activity. After all, from the lows of March 2009, the index has moved up by more than 80 per cent. In fact, the BSE Sensex delivered returns of 52 per cent in the first quarter of fiscal 2010 alone.

Now here's the ground reality—we have had only five IPOs raising, in all, Rs 8,500 crore (including the big NHPC IPO), in the first five months of the fiscal. As many as 17 other companies have got the SEBI nod to raise capital but are waiting on the sidelines. Typically, SEBI approval is the last hurdle, yet companies have been sitting on these approvals for months now. Says Prithvi Haldea, CMD, Prime Database: "A sense of stability in secondary market is critical for IPOs to happen. An issuer would ideally want a stable market for at least 30 days—the time it requires to open and list an IPO. Since the companies are not sure that the

Fairly Valued?

The Sensex has surged 80 per cent from its lows, outperforming most markets. But, in the process, it has also become more expensive.

	February 27	August 10	February 27	August 10
	Closing		P/E*	
BSE Sensex >>	8,892	15,009	9.20	16.00
Hang Seng >>	12,812	20,929	7.41	12.60
Kospi >>	1,063	1,576	6.70	12.19
Thai Index >>	432	644	8.30	10.36
Bovespa >>	38,183	56,478	8.50	13.40
FTSE >>	3,830	4,708	7.74	9.50

*Forward

Source: Bloomberg

buoyancy in the secondary markets will last, IPOs are not happening."

So, are these concerns a sound assessment of the spectacular bull run on the Indian bourses over the past five months? So far, the market rally has been driven by a host of reasons—upturn in the economy, formation of a stable government, expectations of a revival in the global economy and robust FII inflows. Already, the Indian markets have outperformed most other emerging markets this year. Says Gaurav Dua, Head-Research, Sharekhan: "Ultimately markets will be driven by two factors—earnings and valuations, as measured by price-to-earnings (P/E) multiple."

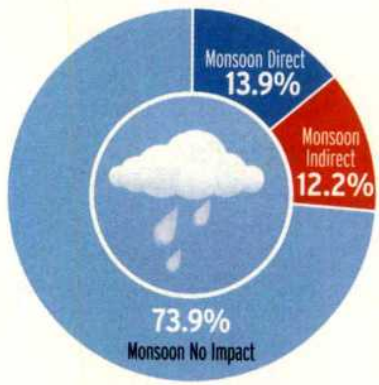
Green Shoots But...

In terms of earnings growth, the first quarter results of India Inc. were encouraging with better-than-anticipated numbers. This is important because analysts believe it has triggered an earnings upgrade cycle which would provide support to the market. The upward revision in the earnings estimates has been largely driven by automobile, cement, information technology (IT) services and banking stocks. A more widespread recovery in economic activity, pick-up in investment and consumption along with improving global scenario are expected to further drive upgrades in the earnings estimates. Says Sanjeev Patkar, Director (Research), Dolat Capital: "The good show in the first quarter is an outcome of the stimulus packages announced by the government which have started to make an impact after a lag of a couple of quarters." Most analysts have revised their earnings estimate for the Sensex. For instance, brokerage Sharekhan has raised it by 2.3 per cent for FY2010 and FY2011 since the start of Q1FY2010 earnings season, while Angel Broking has raised it by 5-6 per cent.

However, the monsoon trend has emerged as a key risk to meaningful upgrades in the short term. Buoyancy in the rural economy has been the key growth driver in FMCG and automobile sectors. Demand for these sectors could face a temporary setback due to poor monsoons, as consumers downtrade or shift to lower priced offerings by the unorganised sector. Says Manish Chokhani, Director, Enam Securities: "A sub-par monsoon will affect rural demand and could lower India's GDP growth by almost 1 per cent."

Monsoon Dependence

A quarter of the Sensex companies depend on the rural economy.



Source: Motilal Oswal Securities

Somnolent Primary Markets

India Inc. appears sceptical of the bull run. Only five IPOs this fiscal so far.

June 23, '09	277.96	Mahindra Holidays & Resorts India
July 14, '09	48.17	Excel Infoways
July 20, '09	114	Raj Oil Mills
July 28, '09	3,016.52	Adani Power
Aug. 7, '09	5,032.12	NHPC*

Figures in Rs crore
*Based on lower end of price band.
Source: Prime Database

Among Sensex stocks alone, it's estimated that 12 per cent of earnings are derived from direct dependence on rural demand (auto, FMCG, telecom) while another 14 per cent are indirectly dependent (state-owned banks, cement). Says Raamdeo Agrawal, MD, Motilal Oswal Securities, "The monsoon scare will take its toll on the market and may make it tough for the Sensex to go significantly above its present levels of 15,000-plus."

Analysts point out that the next trigger for the market could be decisive government intervention to ward off the impact of lower income in agriculture-dependent sections. This could be through increased focus on rural employment schemes like NREGS. Also, there are expectations from the new government to unveil a new set of reforms to improve the growth prospects of the economy. A raft of measures like possible divestment, increase in permissible FDI in sectors like insurance, steps towards consolidation of state-owned banks, oil price deregulation and continued infrastructure thrust would be viewed positively by the market. A continued soft interest rate regime by the RBI, too, would send the right signals. Points out Harsh Pati Singhania, President, FICCI, "Bad monsoons means we have to maintain fairly high growth of the industrial and services sector to support overall growth of the economy." Adds Y.M. Deosthalee, CFO, L&T, "If interest rates rise then it could affect the infrastructure projects."

In terms of valuations, the Sensex appears to be more expensive than other emerging markets. The BSE Sensex now trades at a forward P/E of about 16.1 compared to its 15-year average of 14.3. At the current levels, earnings yield to bond yield is 0.8, close to the long-term average of 0.73. These are important parameters indicating that equities have moved from a stage of undervaluation to their long-term average fair values. Says Jyotivardhan Jaipuria, Head of Research, DSP Merrill Lynch, "Since India already trades at a premium to the

other emerging markets further premium in terms of higher P/E is unlikely."

The Big Picture

So, how does the big picture stack up for the markets? With the lacklustre monsoons casting a shadow over the India growth story and valuations appearing stretched, most analysts feel the bulls may have to make a strategic retreat. There are also concerns now that the H1N1 flu scare could further hit domestic consumption in the short term during the approaching festival season—particularly in the top five metros, which account for almost 30 per cent of India's consumption. The consensus among analysts seems to be that the markets may trade in a range for a while. Motilal Oswal estimates that Sensex will move in a band of 12,000 to 15,000. Other brokerages like Sharekhan peg it at 12,500 to 16,000, while Prabhudas Lilladher is more optimistic with an estimate of 16,500 to 18, 000. Says Sharekhan's Dua, "The market has factored in most of the good news. With little support from the valuation front, any further upside in the near term would purely depend upon global cues and liquidity."

For investors, analysts say it's time to exercise caution now while handpicking stocks. Don't buy into sectors alone—invest in the fundamentally sound companies and it'll pay off. Says Apurva Shah, Head-Research, Prabhudas Lilladher: "Accumulating the good stocks on declines is a good strategy. Investors could even look at buying the index through instruments like the Exchange Traded Funds (ETFS) which would be less volatile than individual stocks." Over the long term, most analysts underscore, given the Indian growth story, the markets will continue to trend upwards and stocks will outperform other asset classes. ⊙

Selected Pickings

Stock markets reward companies which can consistently deliver superior earnings growth. We shortlist a few fundamentally sound companies that have not only bettered street expectations, but are also relatively undervalued and potential market outperformers.

Allahabad Bank

INVESTMENT ARGUMENT

- Its cost-to-income ratio is among the lowest in the industry
- Net interest margins continue to expand against the industry trend

Stock RoE: 16.5 Industry RoE: 16
Price: 85.5* EPS: 17.2** P/E: 5

Bharat Electronics

INVESTMENT ARGUMENT

- Monopoly in strategic & critical defence electronic equipments and services
- Debt free with huge cash on books and strong order book

Stock RoE: 22.2 Industry RoE: N/A
Price: 1,491.2 EPS: 93.3 P/E: 16

Rallis India

INVESTMENT ARGUMENT

- Improved performance due to operational efficiency and growing exports
- Well-entrenched in the pesticide industry with excellent marketing network

Stock RoE: 24 Industry RoE: 20
Price: 760.8 EPS: 53 P/E: 14.3

Engineers India

INVESTMENT ARGUMENT

- Has positive free cash flow and a surplus cash position
- It could be one of the beneficiaries of divestment

Stock RoE: 27 Industry RoE: 14.5
Price: 1,006.2 EPS: 62.5 P/E: 16.1

Shree Cement

INVESTMENT ARGUMENT

- Strong cement demand in North and Central India–its core markets
- Contemplating a big-ticket entry into the power generation business

Stock RoE: 61 Industry RoE: 18.5
Price: 1,550.6 EPS: 165.9 P/E: 9.3

Apollo Tyres

INVESTMENT ARGUMENT

- Its planned capex of Rs 1,200 crore over the next two years will drive growth
- Falling commodity prices will boost margins

Stock RoE: 13.8 Industry RoE: 13.6
Price: 41.6 EPS: 2.2 P/E: 19.4

UltraTech Cement

INVESTMENT ARGUMENT

- Will benefit from the continued thrust on urban infrastructure by the government
- Significant cost savings due to captive power additions

Stock RoE: 27 Industry RoE: 18.5
Price: 744.9 EPS: 78 P/E: 9.6

Bajaj Electricals

INVESTMENT ARGUMENT

- Fastest-growing player in the Rs 4,400-crore domestic appliances market
- Future growth will come from overseas business and brand acquisitions

Stock RoE: 24.5 Industry RoE: 22
Price: 559.7 EPS: 51.6 P/E: 10.8

RoE in % Price, EPS in Rs *As on August 14 **For March 2009 N/A=Not Applicable

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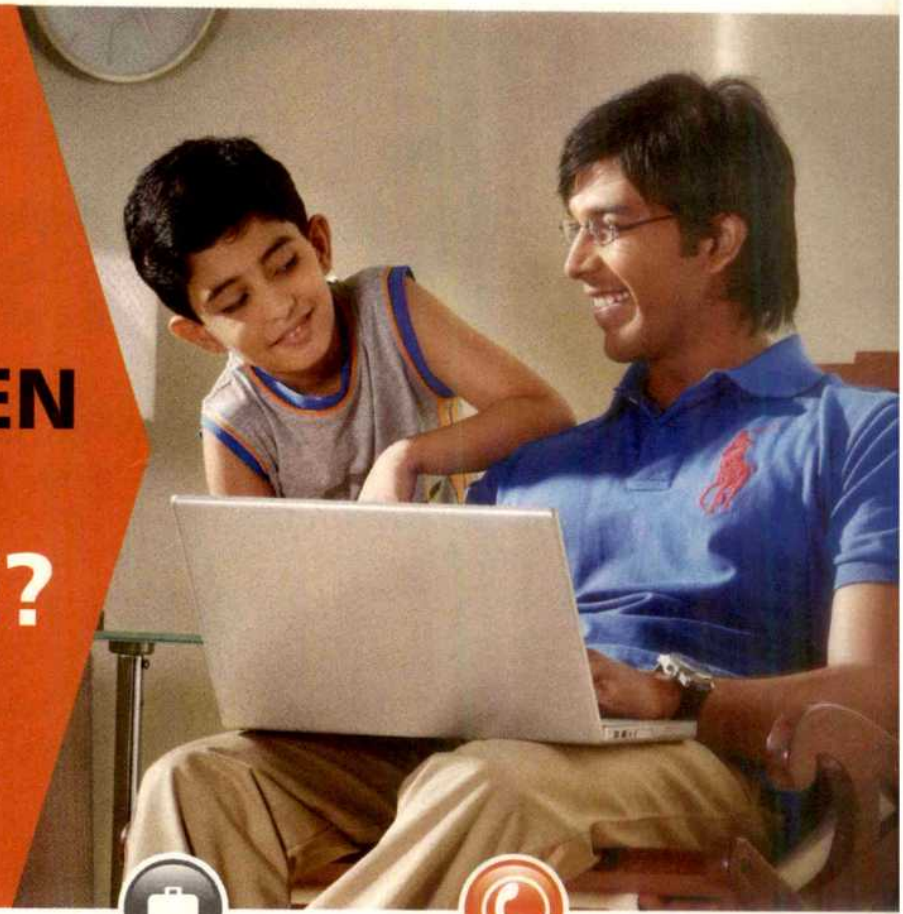

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IPL Copycats

The Indian Premier League's success catches the fancy of cricket bodies in at least two states.

K.R. BALASUBRAMANYAM & ANAMIKA BUTALIA

KARNATAKA PREMIER LEAGUE

TEAM	B'LORE BRIGADERS	BANGALORE RURAL	BELGAVI PANTHERS	MYSORE MAHARAJAS
OWNER	Brigade Enterprises	Melmont Constructions	Subash Enterprises	Girish Auto
	7.20	5.55	3.81	3.25

DIFFERENT STROKES

It's the same sport played in the same format, but that's where similarities end.

Most Expensive Players
IPL: Andrew Flintoff and Kevin Pietersen at Rs 7.5 crore each.
KPL: Test discard Robin Uthappa for Rs 3.25 lakh.

Man of the Tourney Prize
IPL: Silver trophy and Rs 10 lakh.
MPL: A Yamaha motorcycle.

Total Cost of Players
IPL: Rs 38 crore price cap.
KPL: Rs 11 lakh for a 14-member team.

Total Prize Money
IPL: Around Rs 12 crore.
KPL: Rs 20 lakh, MPL: Rs 10 lakh.

Chances are, you haven't heard these names if you stay outside their states. But Brigade Enterprises, Melmont Constructions, Fiza Developers and a few other companies and individuals expect to change the way you think about them as they seek to propel *mofussil* cricket into the big league.

Their inspiration is the huge commercial success of the Indian Premier League (IPL)—the cash flows it offered players, the mileage it gave team owners and the crowds the Twenty20 format attracted.

Big money is a secondary concern as the IPL's success spawns similar leagues on a smaller scale, with the cricket bodies of Karnataka and Maharashtra cobbling together IPL-like tournaments that have attracted a new breed of franchise owners. Even districts and towns have joined the rush. Andhra Pradesh's Karimnagar district has launched its version; so have Ranchi Municipal Corporation and Ranchi District Cricket Association in Jharkhand.

The excitement is typified by former India player Sunil Joshi, 38, who hails from the small town of Gadag and turns out for Karnataka. After the Karnataka State Cricket Association (KSCA) auctioned off players

Raigad Royals players lifting the MPL 2009 trophy

MALNAD GLADIATORS	MANGALORE	SHAMNUR DIAMOND	BIJAPUR BULLS
K. Jayaprakash Hegde	Fiza Developers	Shiv Shankarappa	Vivid Creations and Nandish Reddy Group
3.25	4.23	3.77	3.5

KPL team cost in Rs crore

in Bangalore on August 14. Joshi, who was picked up for Rs 2.05 lakh by the Hubli-Dharwad team, said: "It's a step ahead for rural players, many of whom never had an opportunity to show their talent to a larger audience."

From September 9, Bangalore's Chinnaswamy stadium is expected to draw capacity crowds of 50-60,000 as eight teams battle for the spoils (Rs 20 lakh in prize money) in the Karnataka Premier League (KPL), being organised by the KSCA.

The enthusiasm is not dampened by the Board of Control for Cricket in India's refusal to release national players for the KPL. But Joshi says: "It will give an opportunity to 24 new faces in the KPL stream."

The Poor Cousins

The KSCA, however, is not the first to have launched a 20-20 league of their own. The Maharashtra Cricket Association (MCA) has already done it, roping in the Sakaal Media group for the Maharashtra Premier League (MPL) in April-May this year. The MPL, with a prize money of Rs 10 lakh, had eight franchisees who played a total of 31 matches in 14 days. But the player of the tournament had to be content with two wheels, not four: a Yamaha motorcycle. The total cost of organising and playing the games was a measly Rs 1 crore.

Just as in the IPL, the MCA teams, too, have catchy names—Devgiri Emperors, Sinhagad Supremos, Sindhudurg Sailors and Torna Tigers. But, unlike the IPL's mish-mash, no players from other states played in either league. Also, the players in the local leagues have three-year contracts and a franchisee owner has to buy all the 14 players within a budget of Rs 6 lakh.

This kept player bids at reasonable levels, compared with the bankruptcy-inviting numbers at the IPL, where the likes of Kevin Pietersen were bought for a record Rs 7.5 crore. So, Aditya Dole, the first player to be auctioned by the MCA, was bought for

Rs 65,000 by Pratapgad Warriors. Ameya Shrikhande, Vishal Bhulare and Sangram Atitkar were bought for Rs 1 lakh each. The MPL had its stars: 10 players fetched over a lakh each.

In Bangalore, the KSCA player auctions on August 14 saw pots of money change hands: Three players were picked up for over Rs 3 lakh each, five for over Rs 2 lakh and two for close to Rs 2 lakh.

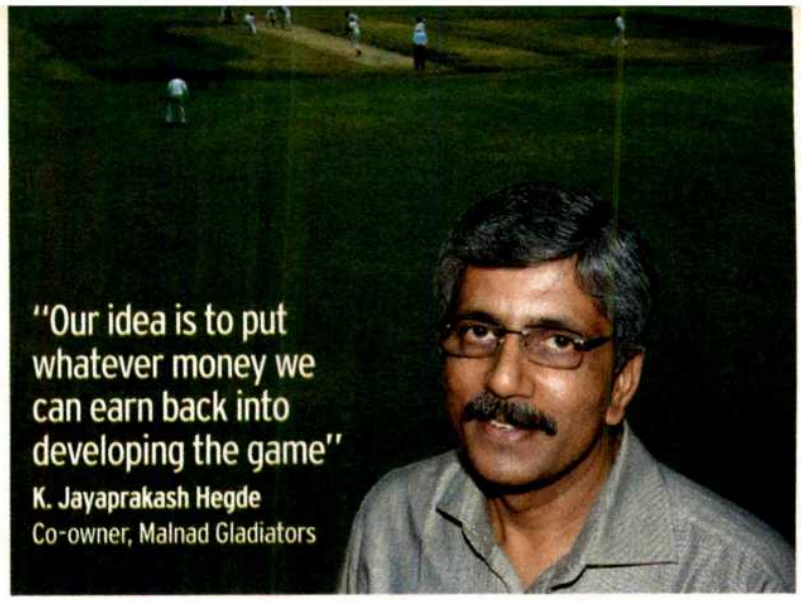
Sowing a Good Crop

If the auctioning of players led to excitement then the team ownership auctions were a heady affair, too. K. Jayaprakash Hegde, a former Karnataka minister, along with four friends, won the ownership of the Malnad Gladiators team at the auctions for the KPL. The KSCA is organising the tournament in association with the Frontiers Group India, a sports management firm.

Hegde's team will get players from Shimoga, Chikmagalur and Hassan districts. "We have decided to promote only Karnataka players, including those who played in *mofussil* areas. Our idea is not to use this initiative as a business opportunity, but put whatever money we can earn back into developing the game," says Hegde.

Neither Hegde nor any of his friends are corporate czars. Between them, they run small restaurants and SSIs. "Each one of us comes from a middle class family and wants to reinvent cricket in our districts," says Hegde, whose 20-year-old son Nishant played for the state under-15 team.

Brijesh Patel, Secretary, KSCA, echoes Hedge. "We are doing this to help improve the infrastructure in the rural areas and also give exposure to players. It is a good opportunity for these boys to play under lights with the white ball and deliver under pressure," says Patel. He says the KSCA has made no estimates of revenues and all that is earned will be used to develop the game in districts.



DEEPAK G. PAWAR

Harish M.S., a small-scale industrialist from Bangalore who is among the owners of the Shimoga team (Malnad Gladiators), says: "We have already identified very good players from villages to be part of our team."

Boom or Bust?

The tournaments have also captured the imagination of fans. "It is a big boost for Karnataka cricket. The KPL will force all franchisees to promote the game in their zones to unearth talent. This will trigger competition among the franchisees, which will ultimately be to the benefit of Karnataka cricket," says Vedam Jaishankar, a cricket analyst and author of *Casting a Spell—the Story of Karnataka Cricket*, which traces the 200-year history of cricket in Karnataka.

He thinks many states in India will also follow this model for development of cricket. "An entire new industry will grow around this," he says.

But some veteran cricketers like Anil Kumble and Javagal Srinath are not so enthusiastic about using the IPL format to promote cricket at the grassroots. Kumble, who led the Bangalore Royal Challengers during their successful run in the second edition of the IPL, says the KSCA should organise the KPL on its own without private team franchises.

He says the KSCA could use the annual BCCI grants to promote KPL, instead of adopting the franchisee model.

Srinath has fears of a different sort: "You must orient the kids towards the longer version and then introduce the T20. Don't make these kids professional T20 players at the age of 17," he says. ⊙

VALUE FOR MONEY

Unknown faces, but these Maharashtra players are doing well. The top 10.

SINDHUDURG SAILORS	Kedar Jadhav	: Rs 1.60 lakh
PRATAPGAD WARRIORS	Satyajit Satbhai	: Rs 1.40 lakh
DEVGIRI EMPERORS	Chetan Suryavanshi	: Rs 1.25 lakh
SINHAGAD SUPREMOS	Vishal Bhulare	: Rs 1.15 lakh
SINDHUDURG SAILORS	Ameya Shrikhande	: Rs 1.10 lakh
PRATAPGAD WARRIORS	Samad Fallah	: Rs 1.10 lakh
RAIGAD ROYALS	Harshad Khadiwale	: Rs 1.05 lakh
TORNA TIGERS	Kiran Adhav	: Rs 1.05 lakh
SINHAGAD SUPREMOS	Azhar Ansari	: Rs 1 lakh
RAIGAD ROYALS	Sangram Atitkar	: Rs 1 lakh

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BFS has recently signed a shareholders' agreement with Allianz Global Investors AG to set up a joint venture Asset Management Company in India. It is also planning to launch a financial products distribution and advisory business through its subsidiary Bajaj Financial Solutions Limited. Few more exciting business opportunities are under exploration.

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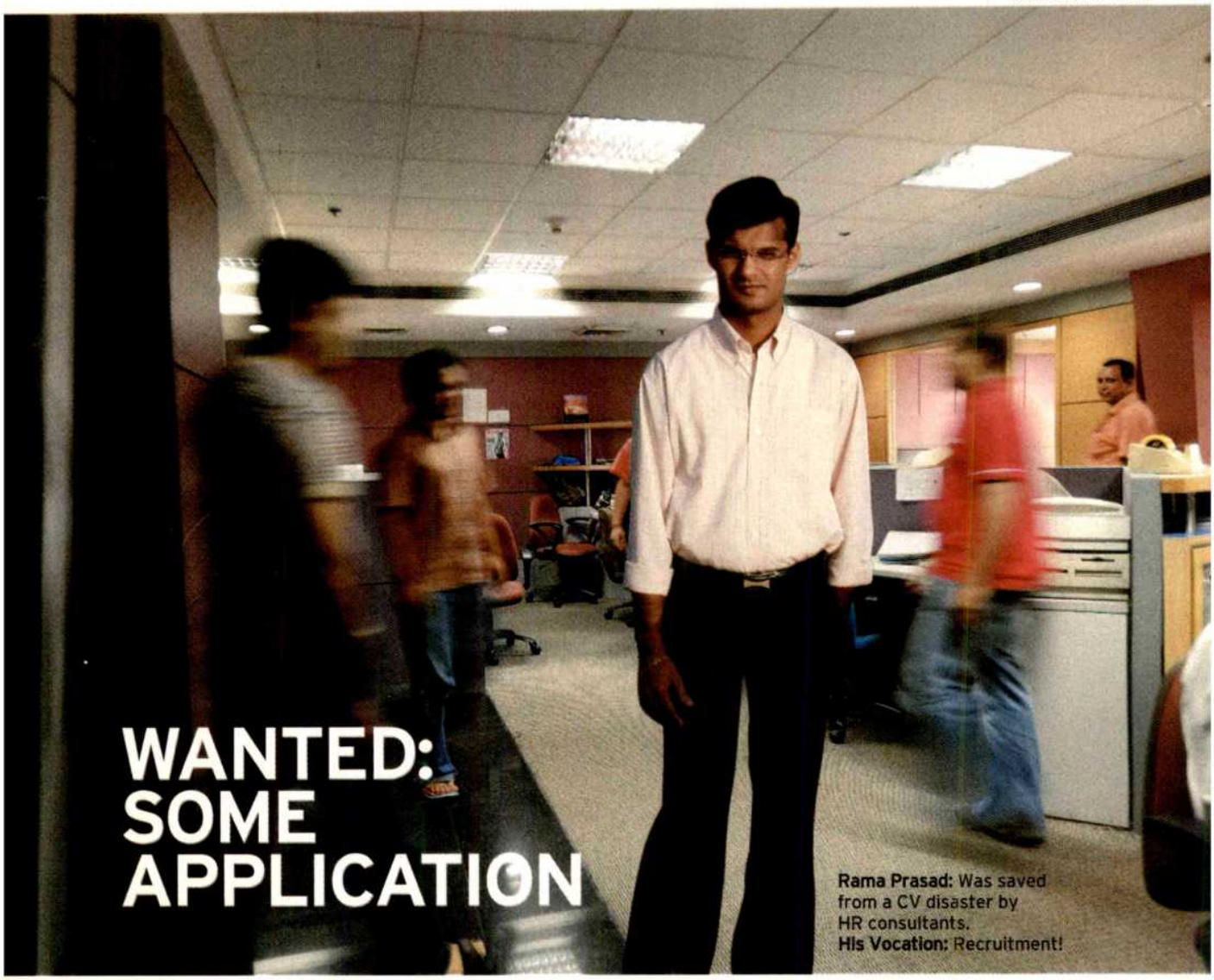

WANTED: SOME APPLICATION

Rama Prasad: Was saved from a CV disaster by HR consultants.
His Vocation: Recruitment!

It is meant to be the passport to a better job, but most applicants end up making a royal mess of their CVs. Here are some pitfalls to avoid. RAHUL SACHITANAND

Why don't employers call me when I send them my CV? This was a predicament 26-year-old Rama Prasad was often faced with. He was surely not short on qualification. The problem was Prasad's curriculum vitae (CV). With a winding one-paragraph objective and several pages detailing his many projects and minor academic achievements, the document was most recruiters' nightmare. Beyond that, it had an unfocussed job objective, spelling errors and a random listing of his career track record. His CV conundrum was solved after speaking to some friends in the IT industry and upon feedback from HR consultants.

His career objective was shortened and sharpened from a paragraph to a couple of lines, unwanted information—his passport number for example—was removed, and other details added. "The CV is all about creating a good first impression," Prasad, a recruiter with Bangalore-based Techbridge Networks deputed to a leading software company, says. His big learning: It is critical to follow a stable pattern and list important details, including education, academic qualifications and work experience.

Prasad is clearly not the only one having an application meltdown. Ninety per cent of CVs examined in a recent survey by TeamLease, a staffing services firm, had errors in them. "It appears that people did not

spend too much time on their profiles... there was evidently no focus on accuracy and detail in them," says Surabhi Mathur-Gandhi, General Manager (Staffing Services), TeamLease Services.

A Question of Scale

About 90 per cent of CVs inspected as part of a recent TeamLease Survey contained errors. The survey of 500 randomly selected CVs revealed an assortment of errors ranging from grammar and spelling to poor structure and omission of key facts and addition of unwanted trivial details.

HR heads seem to agree with these findings. "The information is often not organised, with education, career and education demographic in reverse chronological order," says Sukhjit S. Pasricha, Head (HR-Enterprise Services Business), Bharti Airtel. Rather than structure their CV this way, he says many candidates end up overspicing their resumes or omitting key details. "We end up spending most of our time on preliminary conference calls with candidates filling in these gaps," he says.

Sanjay Shanmugam, VP (HR), CBaySystems, a medical transcription firm, wades through 2,500 CVs a month and says applicants, across age and demographics, like to overload their CVs. "I appreciate a CV that has contact details such as address, numbers and e-mail upfront followed by a summary of past experience," he says.

However, not everyone thinks that the problem is so widespread; T.V. Mohandas Pai, Director (HR), Infosys, argues that the rate of errors may be higher due to the profile of TeamLease's applicants. "English may not be their language of education or communication... people need to be taught to write CVs," he argues.

Infosys and other top Indian IT firms are, however, very picky with their selection, with HR consultants disclosing that most top firms pick barely 1-2 per cent of CVs they receive.

CV Bloopers

- **Areas of Strength:** My background to date has been centred on grooming myself as a well-rounded person.
- I am quietly forceful, original and sensitive.
- **Family details:** Father–Death
- **Weakness:** Fresher
- **Biography:** Marital Status–Yes
- **Contact e-mail:** www.aradhana@rediffmail.com

Random sample of CV mistakes taken from a TeamLease survey

Range of Errors

According to HR managers and recruiters that *BT* spoke to, the range of errors starts with simple misspelling of subheads and poor grammar to more serious—and intentional—omission of incomplete or failed academic and professional courses and programmes. "The more mundane errors can be put down to a bad education system and a lack of proficiency with English," says E. Balaji, Executive Director & CEO, Ma Foi Management Consultants. "The more serious omissions will get you caught either at the interview, or worse, once you've started working. Then you'll just get fired."

CBay's Shanmugam recollects an incident in Hyderabad a couple of years ago when a group of fresh applicants submitted alarmingly similar CVs, with two of them even duplicating mother's names and interests and hobbies.

Fundamentally, there seems to be a mismatch between what recruiters and HR heads expect from a CV and what candidates send them. "This isn't a statement of your life's goals... it's just a sharp and focussed job application," says TeamLease's Mathur-Gandhi. To try to attract the attention of a recruiter, she says, many candidates, especially freshers and junior executives, tend to experiment with over-complicated grammar and syntax, and play with the text, using colours, bold font and a glut of boxes and columns.

While many headhunters often overlooked poorly-written CVs in the good times, selective hiring in lean periods now means that they will look through them with a fine-toothed comb. "There are definitely fewer jobs and your CV should give you a firm grip on one of them," says Balaji.

"I would prefer to know what deliverables you achieved at the last job, rather than struggle through a detailed three-page listing of all the jobs you've held," says Bharti Airtel's Pasricha. ⊙

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Tech Mahindra Limited
System Integration Head
Location: Bangalore
Job ID: 7315242
Description: Incumbent must have education background of B.E (plus MBA preferred); 15+ years of Telecom experience; experience of handling large teams including testing, R&D and Project managers; and more.

SIEMENS
Delegation Consultant
Location: Mumbai
Job ID: 7314596
Description: Job holder must have experience of working in different function of HR for a large organization; experience of working in payroll, C&B, and having handled expense claims; experience of networking and more.

Syntel Inc
VP/ GM/ Head - Sales
Location: Mumbai
Job ID: 7104347
Description: Person must have handled minimum revenue 15 – 20 million; must have software solution selling and project outsourcing experience.

Vatika Limited
Senior Manager Indirect Taxation
Location: Gurgaon
Job ID: 7174203
Description: Manage the group's Indirect tax compliance issues (Sale tax, Service tax, Return filing, etc). Interact with external contractors/suppliers as well as work with the business to reduce the tax inefficiencies.

Dell
System Consultant
Location: Bangalore, Mumbai
Job ID: 7311818
Description: Candidate must have a thorough understanding and experience with server, storage and enterprise software; EMC product competency is a plus; advanced knowledge in Network Operating Systems, etc.

Thomson Reuters
Principal Consultant - BW
Location: Hyderabad
Job ID: 7300296
Description: The candidate should have worked on at least two end to end Finance Implementations (FICO, COPA), should have prior experience in production support and development of extractors in R/3.

EMC Corporation
Consultant Software Engineer
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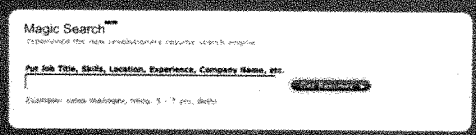

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Job ID: 7286541
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IP Soft India Pvt Ltd
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Job ID: 7294947
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Tech Mahindra Limited
Network Processor
Location: Chennai
Job ID: 7315259
Description: Person should be highly skilled in design / programming ("C" language) of software that is close to hardware components; should have good exp on switching / routing platforms – both control and data planes.

New Horizons India Ltd
Software Engineer/ Programmer
Location: Hyderabad, Pune
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Description: Looking for developers with expertise and experience in Cobol, VAX, VMS.

Professional Access, Limited
Java Tech Lead
Location: Bangalore
Job ID: 7041276
Description: TL must have 7 years of total Java/J2EE experience; complete Project lifecycle Implementation experience; exposure to various application servers (WAS, JBoss), various design patterns/frameworks; etc

Capgemini
Software Engineer/ Programmer
Location: Pune
Job ID: 7313049
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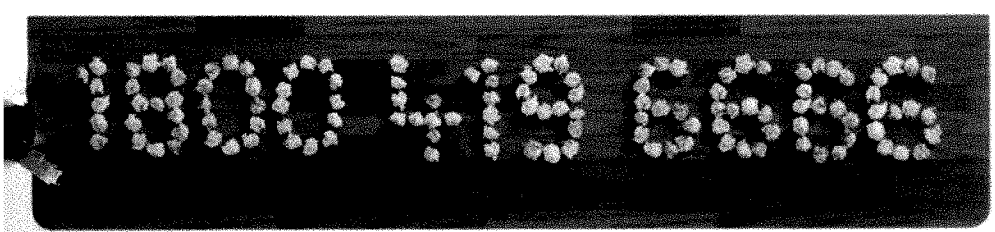

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Account Manager
Location: India
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Oracle
Sales Representative
Location: Bangalore
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Infotech Enterprises Limited
Sales Manager
Location: Hyderabad
Job ID: 7170123
Description: Responsible for establishing, developing and closing business opportunities for ASIC Design and Embedded software development services. The position requires sales and relationship management experience.

ICICI Lombard General Insurance Company Ltd
Sales Manager - Call Centre
Location: Mumbai
Job ID: 7283897
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Talentpro India Pvt Ltd
Account Manager- Sales
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Job ID: 7287109
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Job ID: 7311654
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Genpact India
Process Associate(Finance)
Location: Jaipur
Job ID: 6444833
Description: Key tasks: working on General Accounts/Accounts Receivable/Accounts payable/Reconciliation; solving customer queries; audit of loan/lease documents; maintain accuracy of information given and more.

Syntel Inc
Accountant
Location: Pune
Job ID: 7269045
Description: Person must have done B.COM / BBA / MCOM; must have AMFI / NCFM Certifications; must have knowledge of bank reconcilations, accounting, mutual fund, capital market; etc.

Wipro BPO
CA
Location: Chennai
Job ID: 7208671
Description: Candidates must have excellent communication skills. (Written & verbal); strong analytical, decision making and problem solving skills; good experience in general ledger / reconciliation / month end closures.

ACS, Inc.
Team Leader - Accounts Payable
Location: Kochi
Job ID: 7079069
Description: Applicant must posses proven ability to manage workflows and processing tasks; possess previous experience analyzing business performance measures and reporting.

Thomson Reuters
Accountant
Location: Hyderabad
Job ID: 7278883
Description: Aspirant msut have done CA/ICWA/CS/MBA-Finance; must have good understanding of the accounts payable and general ledger functions; good knowledge in SAP - FICO with specific emphasis on FI-AP.

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Unlike in the developed world, where expansion of fiscal deficit has been used tc bail out banking system, in Asia, government spending has had more bang for the buck.

The aggressive global policy response to defend the slowdown has begun to gain traction, as real economic data have shown an improvement almost synchronously around the world. We expect a gradual recovery in the developed world and forecast a G7 GDP growth at 1.5 per cent in 2010 after a contraction of 3.6 per cent in 2009.

Meanwhile, there are already promising signs of recovery in Asia Ex-Japan (AXJ). In this environment of negative growth in the developed world and weak external demand, policy makers are focussing on boosting domestic demand. Short-term interest rates in the region have been reduced to unusually low levels of just 2 per cent from a peak of 5.5 per cent in July 2008. With low risk of rise in core inflation across Asia, due to sharp drop in capacity utilisation as a result of low external demand, we believe policy makers wouldn't hesitate to keep the policy accommodative over the next few quarters. In addition, fiscal deficit for the region is expected to climb to 4.1 per cent in 2009 compared with a surplus of 0.1 per cent in 2007. Unlike in the developed world, where expansion of fiscal deficit has been used to bail out banking system, in Asia, government spending has had more bang for the buck.

RAMEN SARKAR

Indeed, AXJ region is already recovering earlier than the developed world. In China, passenger car sales have now surpassed those in the US on account of cuts in retail taxes and subsidies on car purchases in rural areas. Similarly, in other Asian economies, passenger car sales have been boosted by cuts in excise duties and lower rates. Moreover, many countries in Asia have introduced measures such as lowering down payments for mortgages and relaxation of lending norms for property and mortgages. As a result, property markets have rebounded meaningfully across AXJ, particularly in the financial centres of Hong Kong, Singapore, Seoul, Shanghai, Bangkok, and Mumbai. Huge infrastructure investments in Asia, led by China, are also helping to revive domestic demand. This revival in domestic demand has helped accelerate the industrial production growth in AXJ to 2.8 per cent in May '09 from the trough of -7.5 per cent in January '09. We expect AXJ GDP growth to rise 7.6 per cent in 2010 from 5.3 per cent in 2009.

The story in India is no different. Increased political stability, improvement in global capital markets and strong domestic policy response will ensure a steady recovery in growth. We expect GDP growth to be at 6.2 per cent in 2010. Improvement in global capital markets has been the single most important factor supporting recovery in India. This is helping healing of the corporate balance sheet and reducing the concerns of non-performing loans in the banking sector. The traction in monetary policy, together with fiscal support from the government, is also helping the economy move on a recovery path. A steady progress in reforms in the area of public finances, state-owned enterprises (SOE) divestment and infrastructure should strengthen the pace of recovery over the next 12 months. Indeed, India is one of the better-positioned economies in the Asia-Pacific region with its balanced growth model. ⊙

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NRIPENDRA MISRA
EX-CHAIRMAN, TELECOM REGULATORY AUTHORITY OF INDIA

Making Do Not Call Facility Work

About 42 million subscribers have registered for the "Do Not Call" facility. That's a minuscule proportion of the total mobile subscriber base of over 435 million.

The Telecom Regulatory Authority of India (TRAI) notified a regulation on unsolicited commercial communications in June, 2007. TRAI could have deferred this regulation till legislative changes were made—but its initiative was prompt response to widespread demand for curbing unwanted telemarketing calls. These calls were seen as encroaching on the privacy of subscribers.

The regulation requires that telecom subscribers register with their service provider regarding preference for not receiving unsolicited calls. Telemarketers are required to register under the OSP (Other Service Providers) category in the Department of Telecommunication (DoT). Such registered tele-marketers are to verify the telephone numbers from the National Data Registry to ascertain the preference of subscribers.

RAMEN SARKAR

The authority was conscious that the effectiveness of the regulation could only be achieved if all the players comply. It was evident from the beginning that telemarketers who do not register may dilute regulation. Moreover, telecom companies have also been reluctant to disconnect in their enthusiasm for revenue mobilisation.

The TRAI regulation has completed two years and it now appears it has not been effective. Approximately 25,000 telemarketers have been registered with the telecom service providers and the NIC. Initial estimates suggested that nearly 60,000 telemarketers are functional, excluding retail and short-term periodic telemarketers. About 42 million subscribers have registered their preference against unwanted calls. The data is extremely important as the total number of mobile subscribers is more than 435 million. Clearly, only a minuscule proportion exercised the option.

The experience regarding effectiveness of such a regulation in other countries is no different. The US, UK, Ireland, Australia and others have implemented a do not call registry. In the US, there is the Telephone Consumer Protection Act, while Australia and the UK also have legal provisions. As per a 2007 survey in the US, 59 per cent of subscribers reported that they do get telemarketing calls but on a significantly reduced level after they signed into the registry. It indicates that in the US, even after four years, it is not a foolproof system.

To my mind, TRAI, from the beginning, has operated under serious limitations. As per the TRAI Act, it has no powers to impose penalty either on service providers or on telemarketers registered as OSPs. TRAI also has no powers of dispute resolution between consumers and other stakeholders. Moreover, I feel disconnection has not served as a major disincentive as marketers switch to other telecom service providers if disconnected due to non-compliance at the hands of one.

The authority had also considered in great detail the option of a 'do call registry'. This raised many complex issues in terms of its impact on BPOs and the legality of interpreting subscriber's preference. The problem of unwanted calls remains as it is today in the absence of legislation but perhaps with manifold increase in the number of complaints.

TRAI rightly believes this menace can only be curbed by bringing appropriate legislation. There is no substitute for a strong legal mechanism to force telemarketers and others to comply with regulations. Punitive powers are a must to give teeth to this regulatory body. ⊙

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Money

Mid-cap Funds

Your Borrowing Options

With personal loans all but drying up, here are a few ways to overcome your income-expense mismatch. CLIFFORD ALVARES

When Navin Daniel set out to take a personal loan of Rs 25 lakh about seven weeks ago, the private sector bank where he usually banked his salary seemed eager to take up his business. Soon after Daniel filed the application, his bankers assured him they would release his loan "within a few days". But about two weeks into the deal, his bankers called up and said they could provide only Rs 8 lakh, which would again take a few days more. After two more weeks, his bankers brought down the amount to Rs 4 lakh. Three more weeks later, Daniel is still awaiting his personal loan. When Daniel contacted his bank lately, they turned around and refused a loan. Now, the marketing professional is tapping his friends to tide over his short-term funding requirements. Says Daniel: "If banks have a complete loan department to look into these issues beforehand, then they should have come back a lot earlier than just make blank promises."

With banks seeing high levels of default in personal loans, such rejections are becoming all too common. Banks and non-banking financial companies (NBFCs) have stopped disbursing personal loans, or

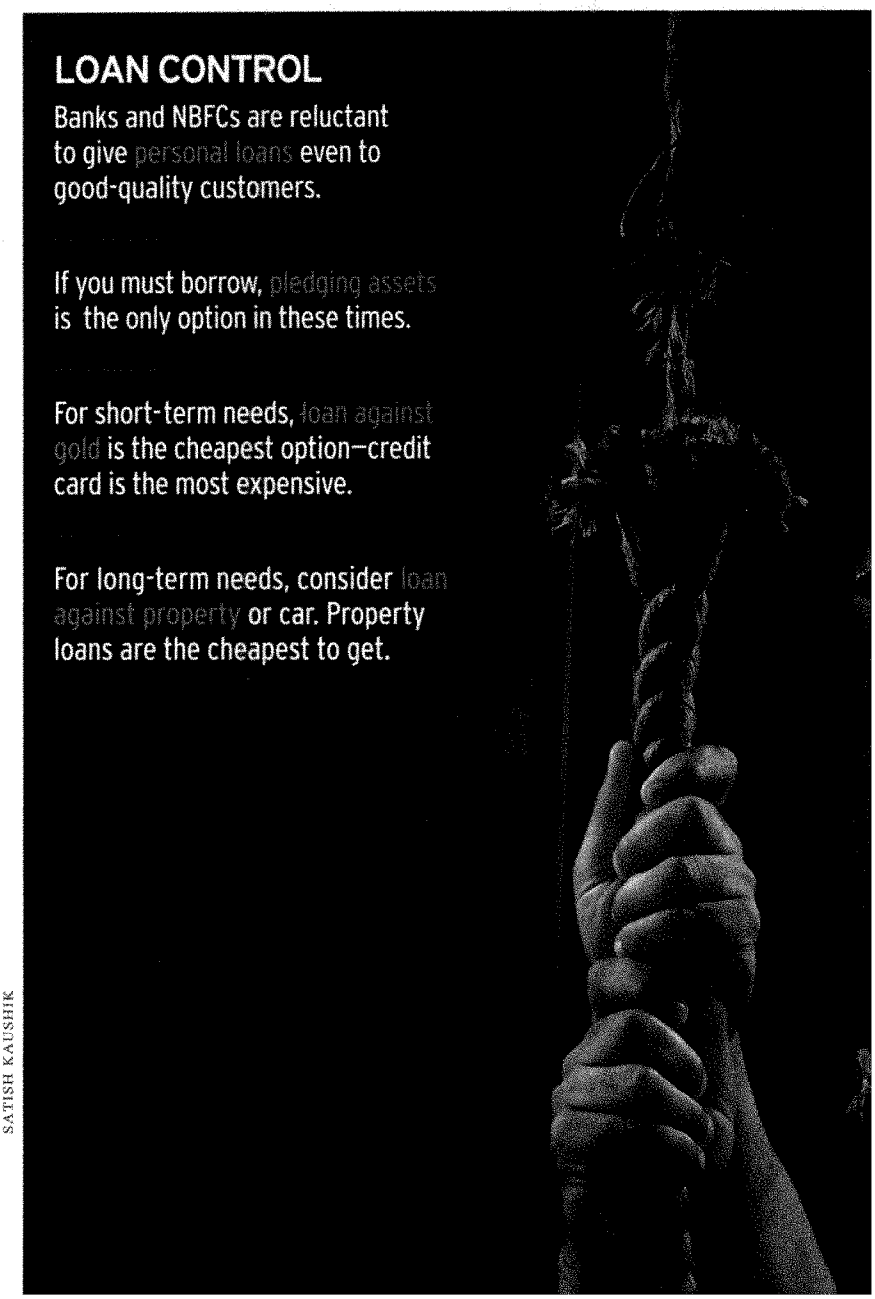
LOAN CONTROL

Banks and NBFCs are reluctant to give personal loans even to good-quality customers.

If you must borrow, pledging assets is the only option in these times.

For short-term needs, loan against gold is the cheapest option—credit card is the most expensive.

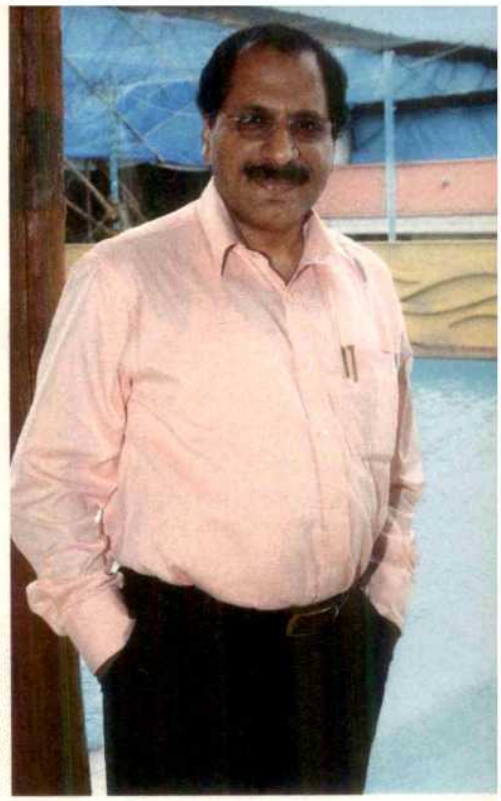
For long-term needs, consider loan against property or car. Property loans are the cheapest to get.



SATISH KAUSHIK

"Gold can be quickly pledged for short-term financing as we lend up to 85 per cent of the scrap value and usually the loan is for 2-3 months"

V.P. Nandkumar /Chairman & CEO, Manappuram Group



NISHIKANT GAKRE

unsecured loans, to good-quality customers. It's a sign of the times. The credit squeeze has put lenders in a spot of bother as it's getting difficult to raise resources in these uncertain times. As a result, they have cut back their lending. Says Apul Nayyar, CEO, Moneyline Credit: "People began to borrow heavily and were getting overleveraged. And to top it, credit began to tighten." The distress is visible across the lending industry as growth in credit offtake has slipped from 25 per cent last year to around 15 per cent currently.

So, what's the alternative? If you are looking at borrowing now, you need to pledge some collateral or assets to the bank. Gone are the days of easy credit when borrowers could easily sign up a loan against personal credit history or against salaries. Lenders are increasingly asking for various assets like bank deposits, shares, mutual fund units, government securities like National Savings Certificates, gold and real estate to lend against. Alternatively, credit cards can come to your quick rescue if you need emergency cash, but use this type of borrowing sparingly. That's because the interest rates on credit cards is a stiff 42 per cent.

Collateral Limit

As a borrower, the decision to take a loan against assets is not one that you should take lightly. Once you pledge an asset, the bank then has a lien on your asset, which means that the bank holds it until you pay off the loan. Says Harsh Roongta, CEO, Apnapaisa.com: "You will need to have an asset in the first place, and then want to pledge it. Therefore, look at the entire options of how quickly you need a loan and for what purpose."

Besides, a loan stays with you for some time and you have to make provisions in your budget to repay these loans. Such actions tend to put your savings plan or retirement investing on the back burner as repaying the loan takes centrestage. That apart, a loan is an expensive affair and it costs more than the returns in, say, a fixed deposit. Take, for example, a fixed deposit that pays you an interest of 10 per cent per annum. When you put up the same as collateral with your bank, you are charged a 3-4 per cent higher interest than your deposit. This way the bank earns it spreads, but it costs you a tidy sum over time. Instead, if you are planning a long-term loan, it sometimes makes better sense to break your fixed deposit at a marginal cost and use the proceeds for your needs.

For many individuals, especially those interested in investing in the stock market, pledging a share for margin funding is no different from taking a loan. Such funding is more common in a booming market as investors pledge shares and re-invest the proceeds in the stock market. But such a move has its own pitfalls. Consider the recent debacle of Great Offshore. Its promoter Vijay Sheth pledged most of his stake in Great Offshore as he borrowed heavily to buy a 15 per cent stake from the Sheths. As the stock market tumbled late last year, Great Offshore's pledged equity dipped in value, triggering margin calls. Vijay Sheth had to raise a further Rs 240 crore by pledging 5.53 million shares to Bharati Shipyard.

By far the most common threat that such borrowers face is the risk of margin calls getting triggered. If you pledged your shares to the limit and do not have any further collateral in either cash or shares to give your lender, you are most likely to face this situation when your shares tank. Says Nayyar: "As per the margin requirements, borrowers have to put up additional collateral in two to three days in case the asset value of the security falls down."

Therefore, investors have to be aware of the risk because stock prices are marked to market every trading day. The loan agreements have

SHORT SQUEEZE

How you can lose when you pledge shares

Value of X shares on day of pledging	:	Rs 1,00,000
Loan against the value of shares	:	50%
Total loan value you will receive	:	Rs 50,000
If the market value of shares falls by	:	40%
The current market value of shares	:	Rs 60,000
Additional collateral required	:	Rs 40,000

a depreciation of security clause, which states that borrowers have to make good the loss when the asset price depreciates.

Consider this: a bank typically lends around 50 per cent against a blue chip A group company. If the stock price dips after you have pledged the share, then you have to make good the difference in the bank's margins (see table: *Short Squeeze*) within two or three working days. If you don't comply, the bank may sell a part of your holdings and adjust its margin exposure. If the situation gets worse and the stock price tumbles even further, then the bank may tend to take the hard step and offload your entire holding. It means you will lose your collateral.

Leveraging against shares is a double-edged sword. Investors tend to make money faster if the trend is with you, and lose it equally faster if the trend is against. But more often than not, investors tend to find themselves on the wrong side of the fence. Says Amar Pandit, CEO, My Financial Advisor: "Usually, investors borrow against shares at the peak of the bull market to reinvest in the market, and that's a sure recipe for disaster." If the stock prices fall drastically, investors could lose their collateral.

But if investors still have to borrow against shares, then it's better to keep additional collateral with your banker either in the form of shares or through a lower loan amount. For example, borrow 40 per cent as against the 50 per cent a bank is offering. Still more preferable is to borrow when the chips are down. Says Pandit: "You could borrow to reinvest when the markets were at 8,000. Of course, it could go lower, but you have a margin of safety as the downside potential is that much lower."

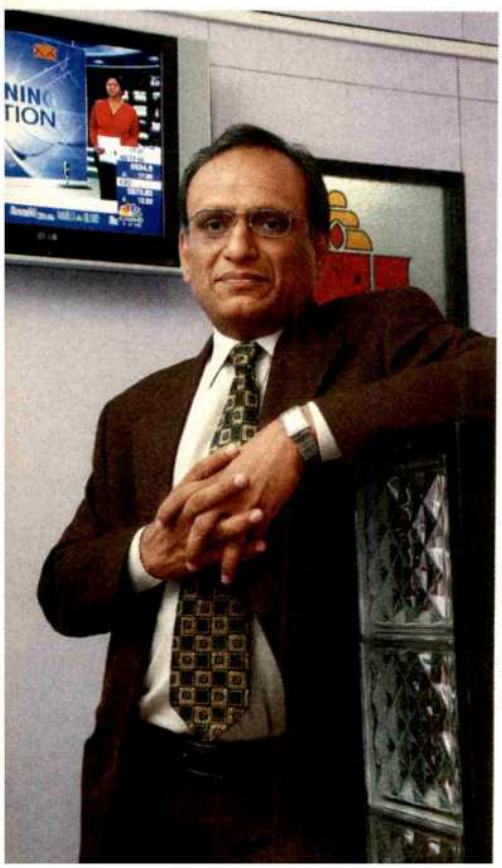
CREDIT LINES

The different options when you want to go on credit.

	LOAN AGAINST SECURITY	CAR REFINANCE	PROPERTY LOAN	GOLD LOANS	CREDIT CARDS	PERSONAL LOANS
Loan tenure	6 months to 5 years	2-7 years	2-10 years	2 months to 1 year	Flexible	1-5 years
Interest Rate (%)	12-15%	15-18%	12-18%	15-24%	36-45%	15-24%
Loan Type	Secured	Secured	Secured	Secured	Unsecured	Unsecured
Features	The collateral security demanded is stiff	A tad expensive with a low loan to value ratio	This option is best for longer term cheap loans	For emergency short-term loans, this is the cheapest option	Interest rates are too high and not recommended	Banks want a good credit history for these loans nowadays

"Borrowers will need to have an asset to pledge. Then you will have to look at options—how much loan you require and how quickly you want it"

Harsh Roongta /CEO, Apnapaisa.com



RACHIT GOSWAMI

Other Backups

Away from stocks, an asset that moves less drastically is a house as there's no daily price swing here. House prices move in tandem with the economy and it takes a long time for the property prices to change. Says Roongta: "It takes about three weeks for a loan against a house to get sanctioned as the lender checks the title clearance. This form of loan comes with a low interest rate." Since this is one of your biggest assets, it's better to avoid putting up such collateral unless it's an extreme emergency or you require a slightly flexible and longer repayment period.

For smaller requirements, it's better to put up gold for your needs. NBFCs and banks are quick to offer a gold loan. Says V.P. Nandakumar, Chairman & CEO, Manappuram Group of Companies: "Gold can be quickly pledged for short-term financing as we lend up to 85 per cent of the scrap value and usually the loan is for two to three months." Although this form of loan is the quickest, the interest rate is usually higher than a pledge against property. NBFCs are usually quick to provide loans against gold, while banks could take a few days to disburse your loan.

In the end, make sure you have a cushion to tide over any crisis that may occur during your borrowing days. If you need it, always borrow less than the collateral you put up so that you are always one up in tough times. This, coupled with a lower borrowing, will help keep your repayments low, interest costs low and also reduce the risk considerably. That's a whole lot better than losing your assets. ⊙

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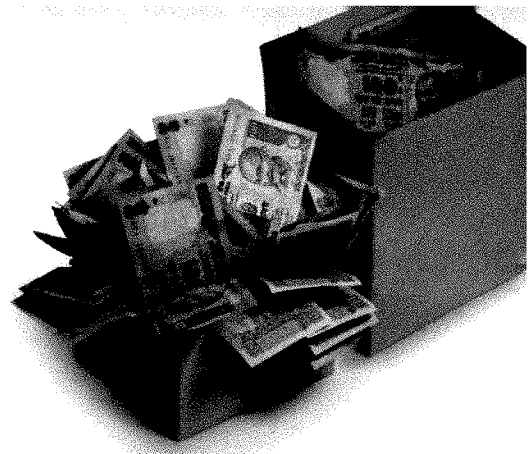

Riding the Mid-cap Revival

The good times are back for mid- and small-cap funds. Should you take the plunge? MANU KAUSHIK

They may have taken a beating when the stock markets were in a tumble late last year, but don't write-off small- and mid-cap funds just yet. Sure, this class of investments does come with its extra bit of volatility, but that's precisely why these funds do spectacularly well when the markets are rebounding, like now. In the last six months, the BSE mid- and small-cap indices increased a whopping 77 and 78 per cent, respectively. By comparison, the Sensex lagged rising by just 56 per cent. The funds that invested in small- and mid-cap stocks were on a roll. These funds topped all other equity fund categories gaining 74 per cent, while diversified equity funds returned 58 per cent and balanced funds raked up just 38 per cent.

According to market experts, majority of the small- and mid-cap stocks were beaten down by as much as 80-90 per cent last year. Another major reason: their prices were hit so hard that the stocks were looking cheaper as compared to the larger companies. And typical of these stocks, they tend to rebound faster when markets bounce back. Consider the statistics: of the total 33 small-cap and mid-cap funds, 30 funds outperformed the Sensex in the last six months.

So, what lies ahead? The economic environment looks better for the small companies than it was last year. The window of fund raising has opened up again, order flows are reviving, infrastructure is picking up and the worst seems over. Well-managed small companies can clock faster growth rates than larger companies. Says Vivek Pandey, Fund Manager, SBI Magnum Midcap Fund: "The longer-term prospects still favour the small- and mid-cap funds as they have the potential to gain from the global economic recovery." Given that the bear hammering was severe, many of these stocks are still cheaper compared to their large-cap counterparts. "There are still a lot of mid-cap stocks which are trading at discount, and with the liquidity situation easing up, there are chances that these stocks may go up," adds Pandey.

Fund managers assure that investors can look at these funds as opportunities. The real challenge lies in picking up the right fund to make the best of the investing environment. If you can take the risks of a little volatility and illiquidity, these funds can still provide the kinds of returns that investors are looking for. On another note, see if the fund you choose fits your investment style. Says Apoorva Shah, Fund Manager, DSP BlackRock: "If yes, then over the next 3-5 year period, the volatility gets ironed out as they are expected to outperform the markets." ⊙

THE MIDDLE PATH TO RETURNS

Mid- and small-cap funds are pulling ahead of the large-cap funds.

FUND	3-MONTH RETURN	6-MONTH RETURN	1-YEAR RETURN
Principal Junior Cap	47	98	14
JM Basic	43	89	-32
ICICI Prudential Discovery	51	88	18
Sundaram BNP Paribas Select Midcap	49	86	7
Tata Service Industries	53	84	4
Magnum Global	44	83	-7
DBS Chola Midcap	48	83	2
Canara Robeco Emerging Equities	41	80	-7
Birla Sun Life Midcap Plan A	50	80	10

Figures in % Ranking by six months' returns

Source: Value Research

A FINE BALANCE

PROS

- Mid-cap funds identify and invest in companies that are small but well-placed on the growth curve.
- Smaller companies have the advantage of low base and usually tend to grow faster than large companies.
- Mid-caps outperform large caps and investing in them helps to diversify into high-growth areas.

CONS

- These funds come with a higher risk as they tend to fall harder than larger companies in bad markets.
- They have liquidity risks (fewer shares) thus making it difficult for fund managers to sell large blocks of shares.
- Revenues and profits could be volatile due to competition, economic environment and limits on fund raising.

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Q. Does S P Jain have international accreditation?
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*** The winter intake students can spend a term at The Australian School of Business, University of New South Wales, Sydney (ranked #1 in Australia and #5 in Asia) and the summer intake students can spend a term at The York University's Schulich School of Business, Toronto (ranked #1 in Canada and #15 in the world).*

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* S P Jain claim based on research conducted by Nielsen UAE, field work dates: 12th May - 15th June 2008, sample size: 100, population details: HR Managers/Recruitment in-charge of leading corporate organisations

INKED CREATIVE SOLUTIONS

Memory Goes Solid

SSD memories are making their way into laptops. Should you go for one right now? KUSHAN MITRA

Solid State Drives (SSDs) are appearing in almost everything today—from music players to phones and even laptops. In fact, if you were to buy a decently specified laptop today, you will get the option of choosing an SSD instead of a traditional electro-mechanical drive—you know, the type that houses a rapidly spinning disc and a pointy needle, and is pretty much an industry standard. By contrast, an SSD houses several embedded memory chips.

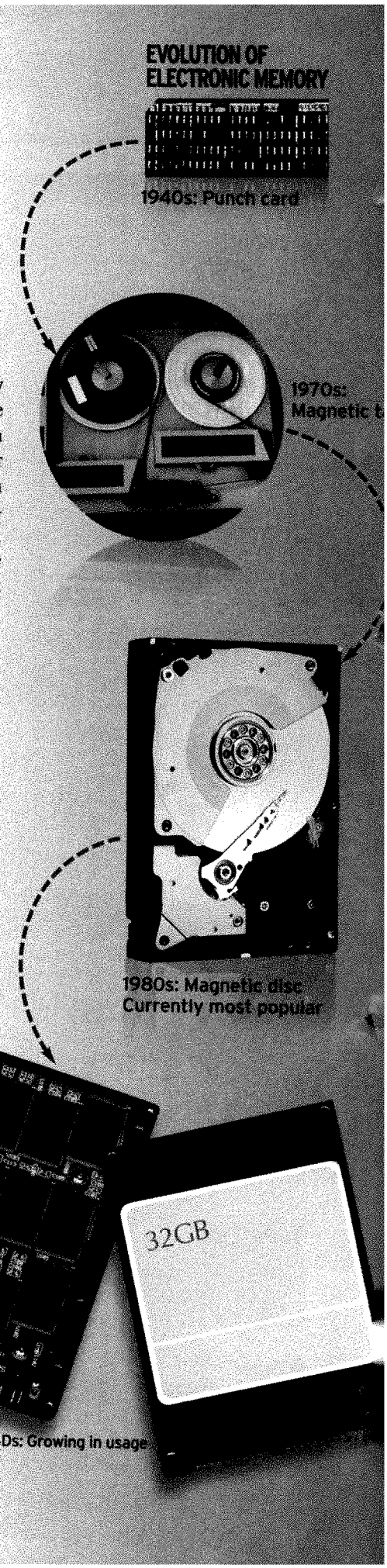
Now, salesmen in stores will try and tell you a lot of stuff about why you should spend up to Rs 10,000 more to go solid. The biggest reason, according to engineers, is that the fewer moving parts there are in a product, the more reliable it is, simply because there are fewer things that can potentially go wrong. An SSD has no moving parts.

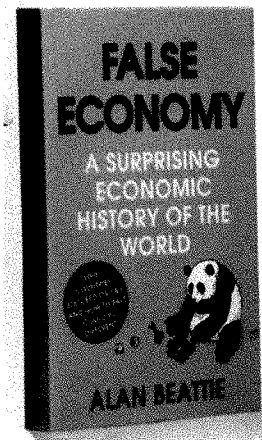
That doesn't mean that SSDs are a no brainer. There is the minor issue of SSDs costing more—in fact, lots more. For instance, Intel's X25-M (34-namometer), generally considered the best SSD available out there costs $440 (Rs 21,000) for a 160 gigabyte capacity model. That works out to Rs 132 per gigabyte. This does not sound like much when you pick up USB flash drives for upwards of Rs 500 for a gigabyte. But when you consider that a traditional electro-mechanical drive—one with 320 gigabytes of storage, which is bog-standard laptop equipment nowadays—costs around Rs 4,000 (for twice the memory, remember), you might want to question the rationale of an SSD.

Still, SSDs are getting cheaper. Apple, for example, constantly increases the capacity of the SSD-filled iPod Touch ever so often without a price hike. Plus, lower capacity SSDs, such as those on iPods, have much lower consumption, and they're also a lot lighter. That said, do not expect regular hard drives to give up their cost advantage anytime soon.

However, SSDs' main advantage, because of the lack of moving parts, is that they can access data far faster. They are also far more 'tolerant' than regular hard-drives—they have a higher temperature range and don't need fancy laptop body-shells to protect them. In fact, if you subtract the optical disc drive, a laptop with a SSD will have no moving parts at all. Which is why the US military, the world's single-largest consumer of tech-wizardry, has fallen in love with them.

Yet, unless you are the sort that really needs to have the latest and greatest piece of technology, or you work in an extremely hot and hostile environment, you really don't need an SSD in your laptop just yet. Regular electro-mechanical drives are still incredibly reliable given the amount of abuse they take. And the price premium is just not worth it right now. ⊙





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Why Economies Fail

***False Economy* does a skillful job in exploring the sagas of countries to figure out why some succeed and others don't. Yet, it doesn't quite get it right.** RAJIV RAO

Alan Beattie's new book provides a whirlwind tour across the landscape of economic history to figure out why some countries are poor and others rich. "Countries do not get rich by accident. They make choices that determine the path their economies take," he says. Beattie, a world trade editor at the *Financial Times*, begins his dizzy voyage by comparing the US with Argentina—two countries that were relatively at par with each other at the turn of the 20th century. Both had massive, fertile tracts of land, were opening up to immigration and fed much of Europe with their beef. However, Argentina pampered its elite landowners while severely restricting land ownership. Juan Peron, in later years, closed off the economy, leading eventually to serial bankruptcy. The US, meanwhile, opened up land ownership to practically anyone (who was white), was steered by a visionary president (F.D.R.) through 'The Great Depression' and became an economic giant.

Beattie's explorations are richly detailed—sometimes muddled—but ultimately eye-opening. West Africa, says Beattie, doesn't produce cocaine despite having a perfect climate and soil because it has appalling infrastructure and logistics. Botswana is well-off because its leader Khama made sure that funds accumulated through diamond mining was spent judiciously and equitably. Others, like Sierra Leone, didn't and atrophied. Linking growth to religion is specious, adds Beattie. He rubbishes the common view that Islam breeds stagnating countries, observing that Malaysia has been far more successful than either 'Christian Philippines or Buddhist Thailand'.

But are nations truly in control of their destinies? Colonialism ravaged Africa, killing large numbers—King Leopold alone was responsible for 18 million deaths in the Congo—enslaving millions, looting resources, ripping families apart and pitting tribe against tribe. At the end of empire in Africa in the 1960s, countries were severely underdeveloped and had large illiterate populations. Beattie gives a one-page nod to these issues, but never explores the immense, long-lasting psycho-social—never mind physical—destruction and trauma that colonial rule caused, in a book that touches upon practically everything else.

Beattie's treatment of India is more robust. He correctly excoriates the caste system for India's low growth. After all, entrepreneurship, innovation and progress cannot thrive in a deeply disenfranchised society. Yet, he errs by faulting men like Nyerere and Nehru for the widespread corruption in Tanzania and low-growth socialism in India. Fact is, Nyerere was too busy ensuring that Tanzania didn't suffer the devastations of post-colonial states—namely, acute ethnic divisions. Remember Rwanda? Inefficiency and corruption—the economist in Beattie will agree—was a small, short-term price to pay for long-term stability. Nehru, too, faced enormous odds, being handed a divisive nation rife with secessionist states, chronic food insecurity, a succession of wars and the need to grow an underdeveloped economy from scratch. Again, low-growth was a short-run trade-off for the project of nation building.

For Beattie to fulfill the promise of his book, he has to accept that countries are often held hostage to circumstances that are well and truly beyond their control, often by men with guns, and by deeply flawed institutions foisted upon them. Undoing all of this—as South Africa is learning—may take more time, or blood, than some of these countries have at their disposal. ⊙

"Countries do not get rich by accident. They make choices that determine the path their economies take"

BOOKMARKS

Marketing 101
By Don Sexton
John Wiley
Pages: 319
Price: Rs 1,054

With a foreword by Donald Trump, and written by Columbia University professor and 40-year veteran of marketing, Don Sexton, this book offers the nuts and bolts of great marketing, along with exercises and other tools.

Bailout Nation
By Barry Ritholtz
John Wiley
Pages: 332
Price: Rs 1,198

Filled with novel illustrations and approachable language, Barry Ritholtz, a popular economic blogger and money manager, explores how the US went from rugged individualism to surviving on its taxpayers' largesse to bailout greedy companies.

Effective Business Writing

Master these thumb rules and make your writing sing.

ANUMEHA CHATURVEDI

You've slaved away for the past few weeks on a business report and feel elated that the project has turned out so well. When your boss gives you feedback on the report, it comes as a shocker. The focus of the brief is vague, he says, and lost in the muddle of improperly organised paragraphs. The brief lacks flow, is long winded and drab. How could this happen? Fact is, business writing is a skill that needs to—and can be—cultivated. Whether you're writing a memo, a sales proposal or a business plan, there are certain elementary rules to keep in mind if you want to keep an audience engaged all the way to the last page.

Clarifying the purpose of your document comes first. "Take a reader-centred approach and think, draft, organise and analyse from his point of view," says restaurateur Anjan Chatterjee. "I always add a few personal lines in my business proposals and plans to acquaintances as I think it furthers my cause. But, when dealing with civil servants and the Finance Ministry, I'd rather not try those tricks. I keep it formal and concise," he adds. The sentiment is echoed by author Deborah Dumaine, who recommends writing down questions your readers might have about your topic. She also suggests the traditional outline method for people who can picture a logical document structure from the start. The method uses letters and Roman and Arabic numerals to indicate levels of information. For those of you who lack clarity, Dumaine recommends other free-form techniques like brainstorming and freewriting—the best antidotes for writer's block—which are all about jotting down ideas as fast as they occur to you. Freewriting boosts your creativity and gives you a head start.

Logically, organising what's written comes second. While it would help to use the chronological method (listing down events in order of occurrence) for detailed project development reports, and manuals, it is advisable to stick to the specific-to-general method for work orders and customer service letters. The key message should be addressed at the top for familiar readers and in situations demanding urgent attention.

Once you're done with the organisation, edit and structure the document for clarity. Paragraphs, the essential building blocks in any business document, are best limited to no more than 5-6 lines. It's also advisable to limit the number of subjects in each paragraph as it may confuse readers. Smooth transitional sentences beginning with "as a result", "in addition" and "likewise" will help you structure them better. While reviewing the document, put your message on top. Try placing the message at the beginning of the document and highlight it for visual impact. Use adequate white space and headlines to emphasise important points. Also use bold and italic typefaces as well as bulleted and numbered lists to ramp up your writing. ⊙

Log on to *www.businesstoday.in* for Running Effective Meetings and Creating a Project Plan

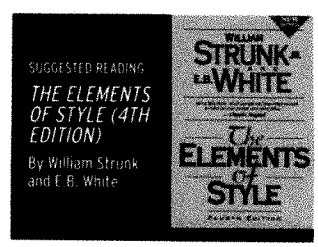
WRITING A BUSINESS PROPOSAL

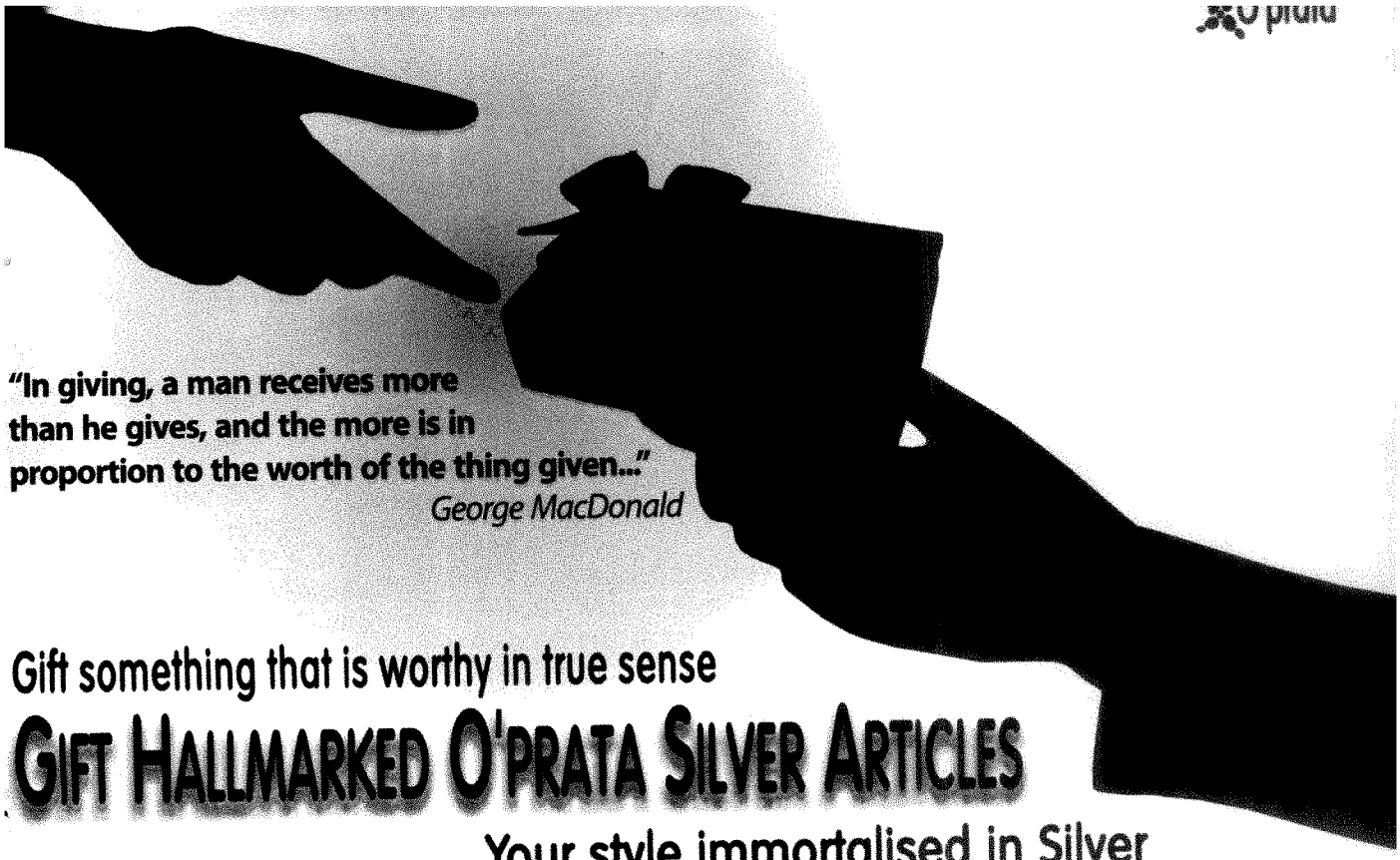
1. Make the customer the focus of your proposal.
2. Be specific, with concise and clear paragraphs.
3. Limit sentences to about 20 words and paragraphs to 5-6 lines.
4. Design your brief for visual impact.

WRITING A BUSINESS MEMO

- Cover one topic per memo.
- Write a specific subject line.
- Use active voice wherever possible.
- Use clear and specific headlines to highlight deadlines and action requests.
- Keep it friendly and less formal if you have a familiar audience.

Source: *Writing for Business* by Deborah Dumaine





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George MacDonald

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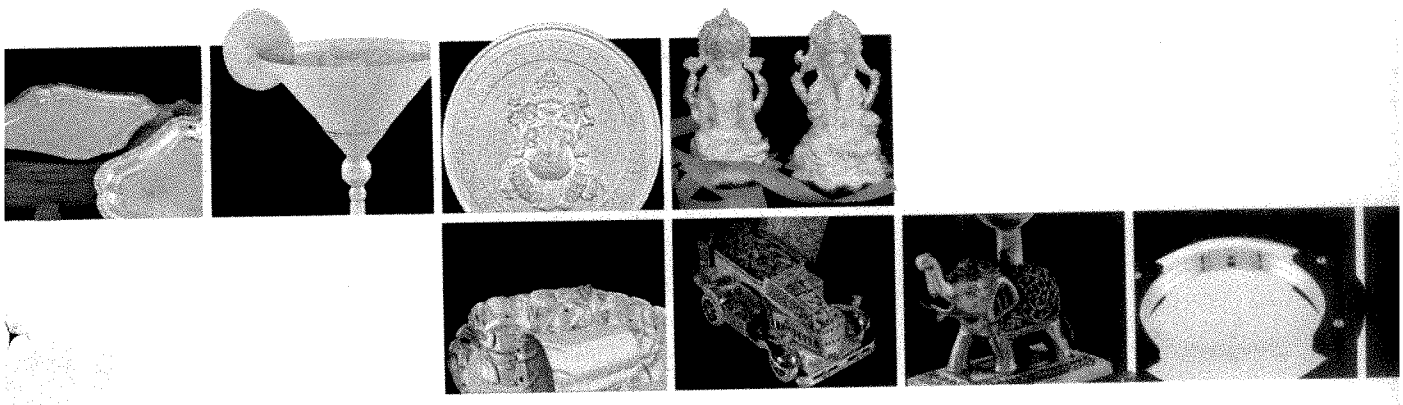

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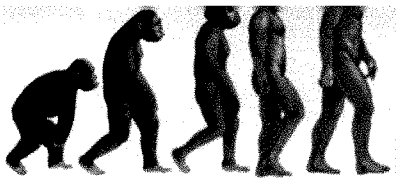


1 Neoclassical economics treats man as a rational actor who desires wealth, avoids unnecessary labour, and makes judgments towards those ends. Which Latin term denotes this?

- ☐ a. Homo Economicus
- ☐ b. Homo Sapiens
- ☐ c. Homo Georgicus
- ☐ d. Homo Rationalis

2 What term was coined by Chris Anderson in an October 2004 *Wired* magazine article to describe the niche strategy of businesses, such as Amazon.com or Netflix, that sell a large number of unique items, each in relatively small quantities?

- ☐ a. Viral Marketing
- ☐ b. The Long Tail
- ☐ c. Pareto Distribution
- ☐ d. Crowdsourcing

3 Which fictional villain is a film tycoon who owns a company called 'Cosmos Pictures'?

- ☐ a. Platon Makovski in *Tycoon*
- ☐ b. Rastapopoulos in the *Tintin* series
- ☐ c. Gordon Gekko in *Wall Street*
- ☐ d. Monroe Stahr in *The Last Tycoon*

4 What term was coined by professors W. Chan Kim and Renee Mauborgne to mean an uncontested market space for an unknown industry or innovation?

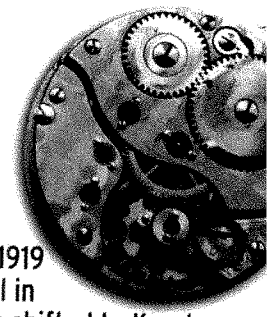
- ☐ a. Steppes
- ☐ b. Blue Ocean Strategy
- ☐ c. Red Ocean Strategy
- ☐ d. Market Space Approach

5 This company was founded in 1919 to make microscopes. Today, it is a leader in gastroenterological endoscopes. But it is better known for another business. Name it.

- ☐ a. Minolta
- ☐ b. Olympus
- ☐ c. Zeiss
- ☐ d. Canon

6 What brand in 1950 boasted in an ad campaign that it could "take a licking and keep on ticking"?

- ☐ a. Timex
- ☐ b. Rolex
- ☐ c. HMT
- ☐ d. Citizen



7 The shop, founded in 1919 by Chuni Lal in Sialkot, was shifted to Karol Bagh, Delhi. The name means "Shop of the Magnanimous" in Punjabi. Name the brand.

- ☐ a. MDH
- ☐ b. SIK
- ☐ c. TDH
- ☐ d. PSB

8 British traders Carless, Capel and Leonard registered this product. In 19th century, it was sold as a treatment against lice. Now, it's traded in barrels. What?

- ☐ a. Mediker
- ☐ b. Diesel
- ☐ c. Petrol
- ☐ d. Lysol

9 Which Liverpudlian expression for hard work was used by the Beatles as a title for one of their songs?

- ☐ a. Hard Day's Night
- ☐ b. Eight Days a Week
- ☐ c. Maxwell's Silver Hammer
- ☐ d. Chains

10 The World War II Flying Fortresses had a gun sight with hidden components that corrected for variables like wind speed. The crew didn't know how the device worked and called it what?

- ☐ a. Triangulator
- ☐ b. Black Box
- ☐ c. Gyroscope
- ☐ d. Flak

Akshat from Bangalore *was the first to give us the correct answers to the third quiz, published in the issue dated August 9, 2009. So, as we promised, he wins a year's subscription to* BT.

E-mail us the right answers at *btfeedback@intoday.com* or log on to *www.businesstoday.in* to take the quiz online. Correct answers in the next issue of *BT*.

ANSWERS to the questions in the last ISSUE, dated **AUG. 23.**

1 a. Arsenal
2 a. Dolby
3 a. First Bank of Springfield
4 c. Clairol
5 a. Learn the Ropes
6 c. Vaseline
7 a. Tata Iron & Steel Co.
8 b. Reebok
9 a. Trabant
10 b. Vada-pav

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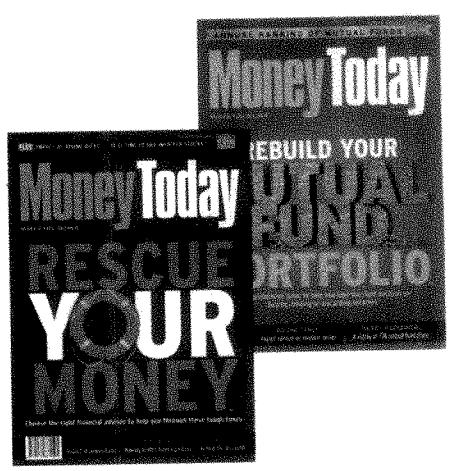

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SHAILESH RAVAL

SONAL VIMAL AMBANI

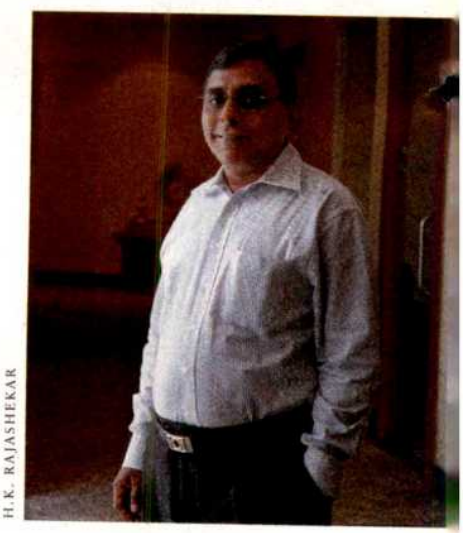
The Other Ambani *Bahu*

She is the lesser-known Ambani *bahu*, but no less effervescent when it comes to the causes she espouses. **SONAL VIMAL AMBANI**, whose husband Vimal is the late Dhirubhai Ambani's nephew, is the founder of Cancer Screening and Research Trust. Recently, Sonal produced two television commercials on cancer awareness among women that have caught many an eyeball. She has also mentored *Fathers and Sons*, a photographic journal with write-ups on eminent Indian personalities like L.N. Mittal and Narayana Murthy. The book is authored by her two children—Anjali, 17 and Amar, 15. What next? "Project World Peace 2040, a project aimed at achieving 365 days of no-war by 2040," she says. Taking wing it seems is a convention with this Ambani *bahu*.

A. VELLAYAN

Top Shot

Turnaround man **A. VELLAYAN**, 56, currently Vice-chairman and Director-Strategy, Murugappa Corporate board, will be the next Executive Chairman of the group. In October, he will take over the reins of the Rs 15,646-crore group from M.A. Alagappan. Strategy is an ace up his sleeve and Vellayan has to his credit recast of many companies within the Murugappa fold. The tennis buff even mapped out a plan to ensure that the IMG-owned and operated tennis tournament Chennai Open stayed on in the city after 2004, when the Tatas, the sole sponsors of the event, pulled out. A dedicated yoga practitioner, Vellayan says he feels "quite out of sorts if he misses even one day of yoga or morning walk". At the helm, the onus would be on him to ensure that the company's new plans insulate it during a downturn, but fuel growth later. Expect a match-winner of a mentoring involvement from Murugappa's strategyman.



H.K. RAJASHEKAR

RUBEN S. SAHANI

ROSHNI NADAR

Hits and Misses

ROSHNI NADAR, 27, is the CEO and Executive Director of HCL Corporation, yet she's less-than-ambitious about actively involving herself in the professionally-managed HCL Infosystems and HCL Technologies from father Shiv Nadar. The MBA from Kellogg that her father prodded her into, instead, got her interested in "giving back to society"—not an unworthy cause, but what about returns on capital? "Money-making and education do not go together," she beams. Roshni plans to spend the next five years building the Vidyagyan chain of schools and the SSN College of Engineering in Chennai. Her first accomplishment, the inaugural residential Vidyagyan school in Bulandshahar in UP, gives completely free education to rural students. Shareholders' loss could well turn out to be stakeholders' gain.

PRODUCT

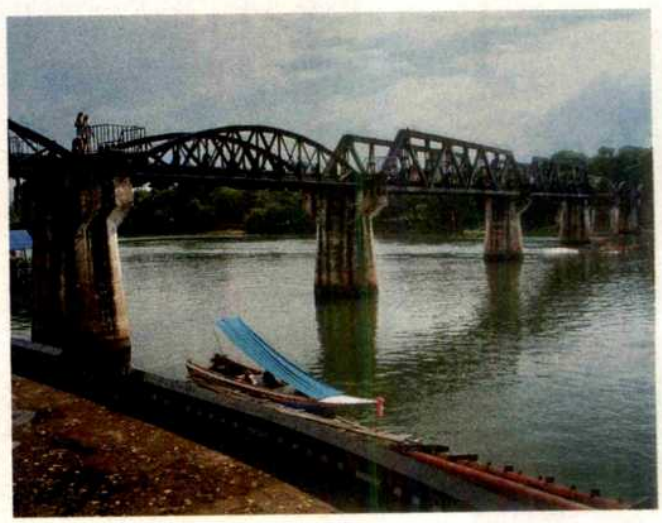
Acer Aspire Revo

One reason why you end up spending a bomb on a PC is because you watch a lot of movies on it. The fact is that current generation Atom-powered netbooks just don't have enough grunt to deliver a 'smooth' movie experience. Enter the Revo, which runs Nvidia's new 'Ion' motherboard that has an Intel Atom processor as well as a Nvidia graphics processor. At **Rs 23,000** it isn't cheap, but its ability to handle full high-def 1080p movies makes it a terrific home desktop.

PLACE

Bridge on the River Kwai

The Oscar-winning David Lean film gave it an iconic status and the Bridge on the River Kwai lives up to every bit of that mysterious image. Thailand has always been a popular destination for Indians and now that the ASEAN-India free trade agreement has been signed, it will bring a lot more business travellers here. Not many, however, know the bridge along the 'death railway' is just three hours drive from Bangkok. More than 100,000 people died building the railway during World War-II, many from Allied bombing. Today, visitors can traverse the bridge on foot after reaching the spot in a quaint boat. And yes, don't miss the train ride package to the Burma border and back, that includes a free lunch.



CONTRIBUTED BY SAUMYA BHATTACHARYA, NITYA VARADARAJAN, PUJA MEHRA, KUSHAN MITRA AND DHIMAN CHATTOPADHYAY

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My leadership style

- [x] Delegative
- [x] Participative
- [ ] Authoritative
- [ ] All of them

The leadership lesson I remember best

Leadership is conviction and courage tempered with humility and hope.

The political leader I admire the most

Martin Luther King Jr. I have always been inspired by his "I have a dream" speech.

My biggest test as a leader was

Getting 2 lakh employees at SBI to 'buy into' our Transformation Exercise.

A book or movie I would recommend on leadership

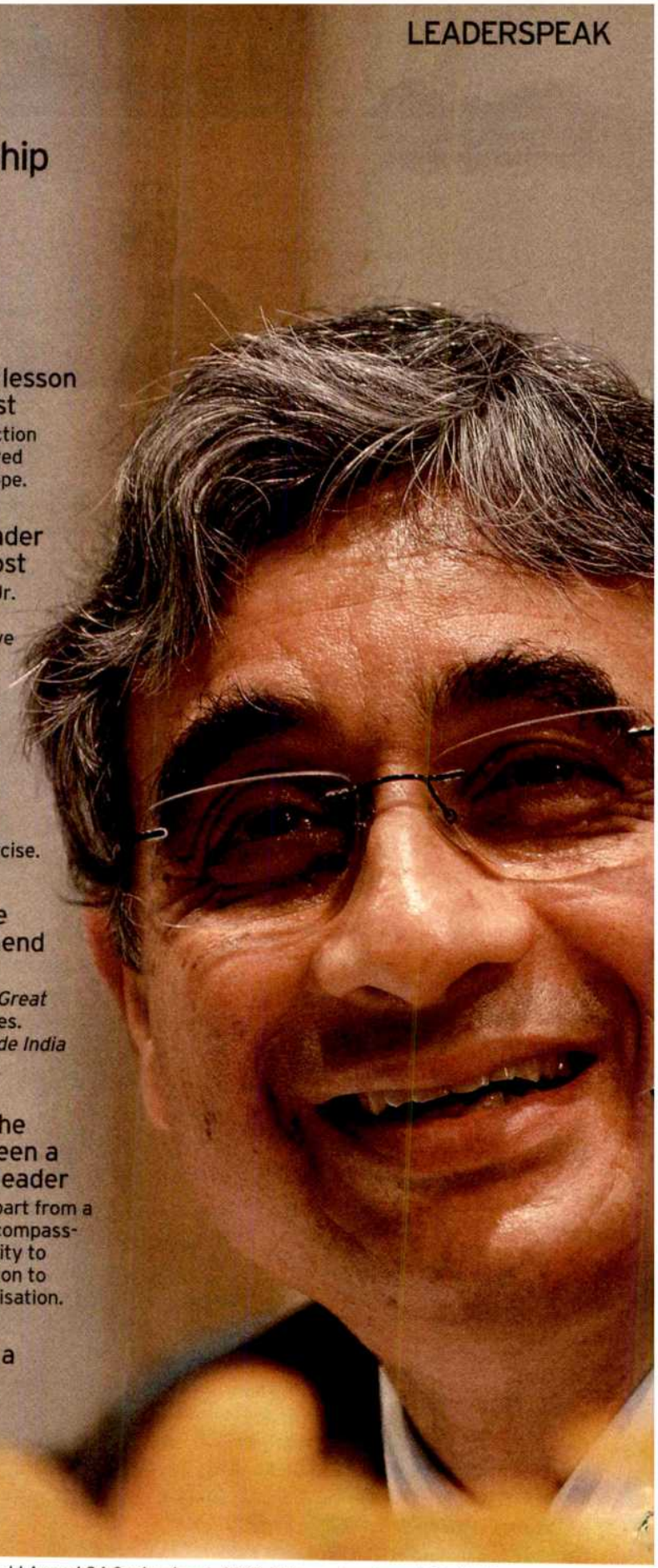
Jim Collins' *Good to Great* is one of my favourites. As for movies, *Chak de India* is outstanding.

What I think is the difference between a manager and a leader

What sets a leader apart from a manager is his all encompassing vision and his ability to communicate the vision to all levels in the organisation.

The worst thing a leader can do

Not walking the talk.



UMESH GOSWAMI

Vol. 18, No. 18, for the fortnight August 24-September 6, 2009. Released on August 24, 2009.

Biocon's Biggest Bet Yet PG 82

Baba Kalyani's New Growth Engines PG 72

Dawn of the Netbook PG 108

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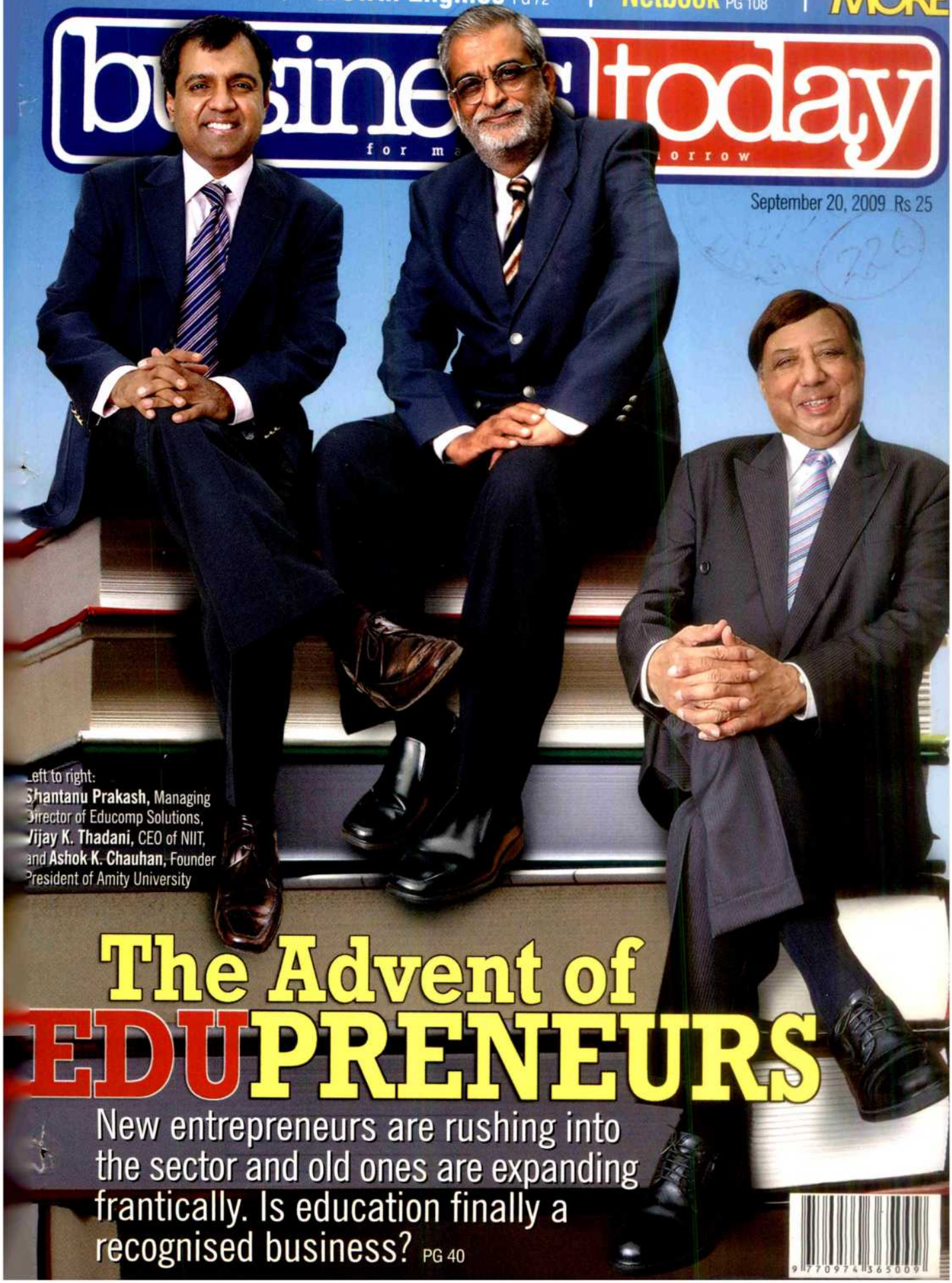

Left to right: **Shantanu Prakash,** Managing Director of Educomp Solutions, **Vijay K. Thadani,** CEO of NIIT, and **Ashok K. Chauhan,** Founder President of Amity University

The Advent of EDUPRENEURS

New entrepreneurs are rushing into the sector and old ones are expanding frantically. Is education finally a recognised business? PG 40

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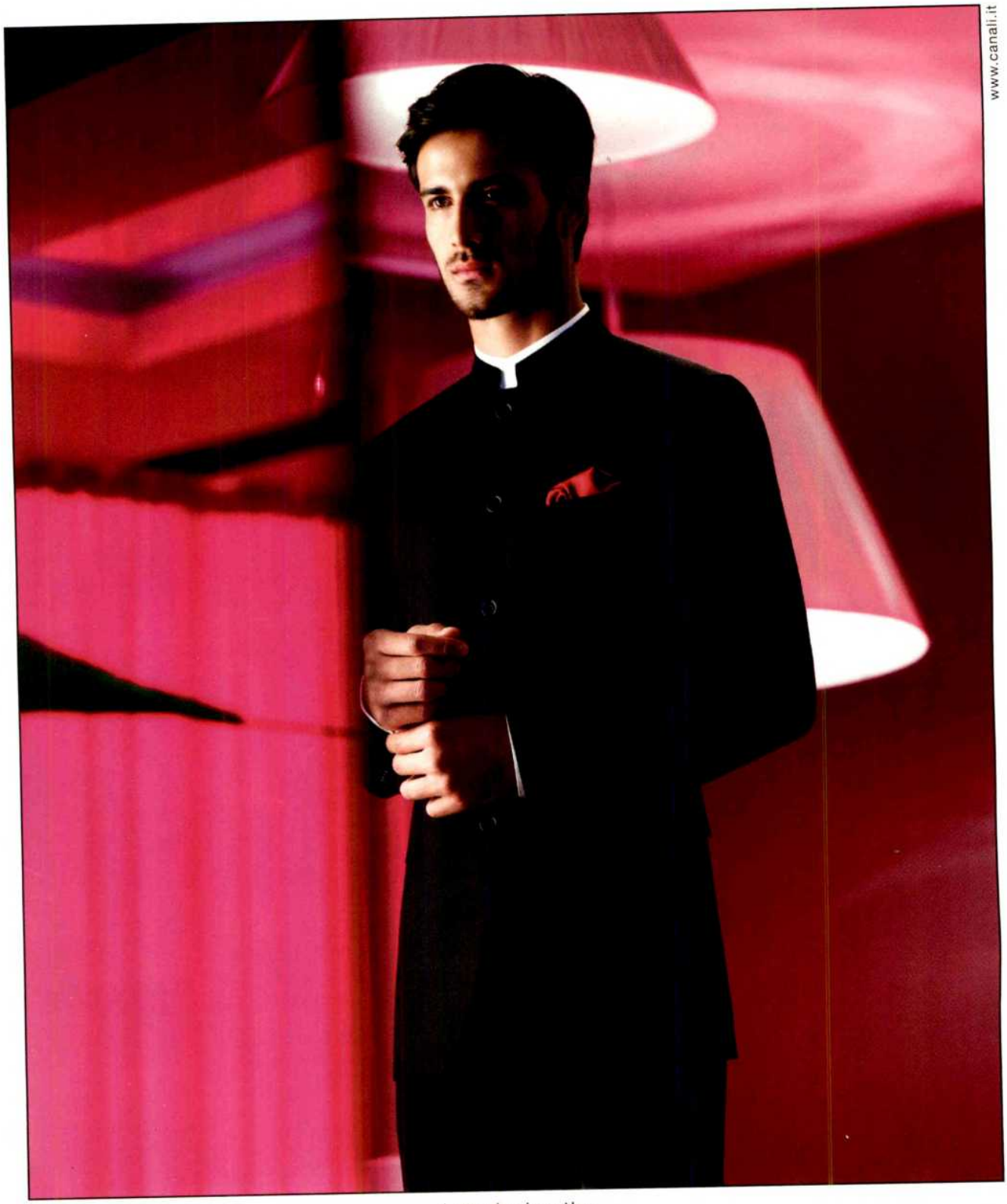

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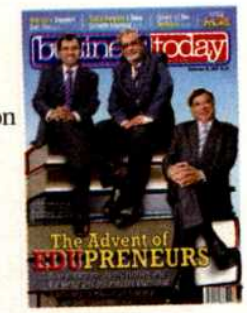
From the Editor



Ask any consumer of education (i.e., people with school or college going kids) if he thinks education is a profitable business and the answer will be a resounding yes. The share of education in most household budgets has risen substantially in recent years. That's not only because Indians are getting better educated, but also because getting educated is becoming more and more expensive.

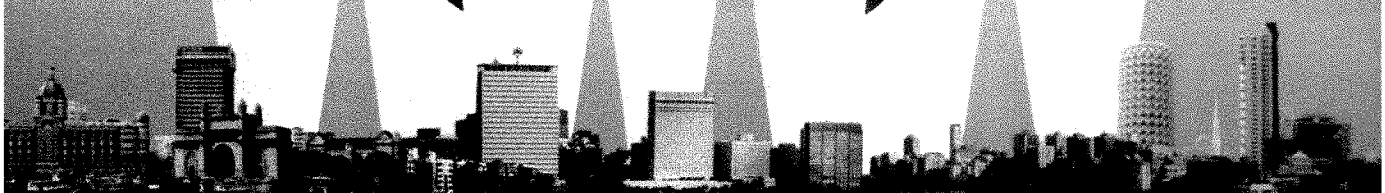
Businessmen, entrepreneurs and investors have swarmed the education sector in the past few months suggesting that education has become an even better business than it was before. So, why are we in *Business Today* so surprised? Actually we aren't. We are only a bit amused, or maybe even confused. Because so much of entrepreneurial and investment activity is happening in a sector where profit making is either barred (schools and college education) or is looked down upon (other forms of education). In reality, most institutions do make profits, but they aren't allowed to say so. Our cover story (pg 40 to pg 70) brings out the rather uniquely exciting phase that the education business in India is entering into. The interplay of demography, prosperity, technology and changing structure of the economy (the services sector, which is most knowledge- intensive, is growing the fastest) points to an even bigger boom in the education business in future. The government's concern is valid: will the pursuit of profit make education barons forget the objective of improving quality and access of education? Experts feel that profit is being—and will continue to be—made whether the government allows it or not. It's better to recognise it, so that the focus can then be solely on quality and access. Our package will take you through the stories of education czars, opinions of experts and all the action unfolding on the policy front. Keep in mind that our profiles are not an endorsement of the institutions or its promoters, but only an account of their business success.

On a different note, the downturn has been quite an education for India Inc. There are companies that have learnt the lessons from the downswing very well and are busy transforming themselves like never before. Baba Kalyani of Bharat Forge is one such learner (pg 72). Biocon, India's best- known biotech company, is also in the midst of a complete makeover (pg 82). The story of CA is most peculiar. It was a start-up that became a giant, only to reduce itself to a start-up and is trying again to become a giant. On pg 100 read how and why India is central to the CA's efforts at coming close to being the world's third-largest software company it once was. Heard of a company that believes in mentoring entrepreneurs among its staff and outside? Turn to pg 90.

Rohit Saran

ROHIT SARAN

FIVE YEARS OF INSTITUTIONAL EXCELLENCE



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Google's 4th Ace

The first exclusive account of Nikesh Arora's vault to the 4th position in Google Inc.—next to the founders and the CEO—this is an insider's story of what it takes to work for one of the world's most dynamic companies which has also started its aggressive push into India.

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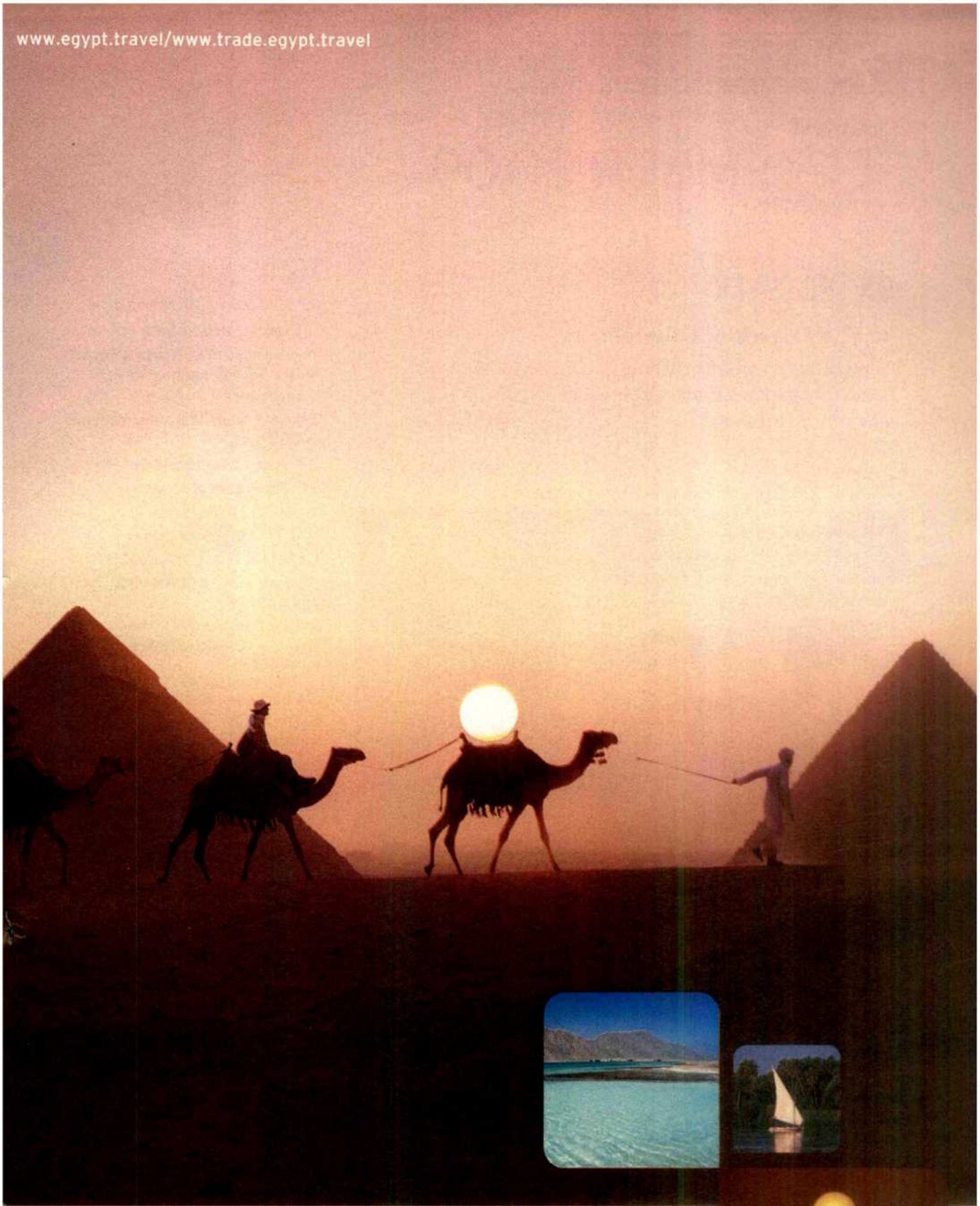

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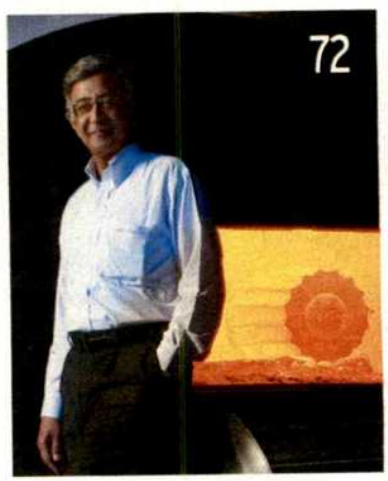

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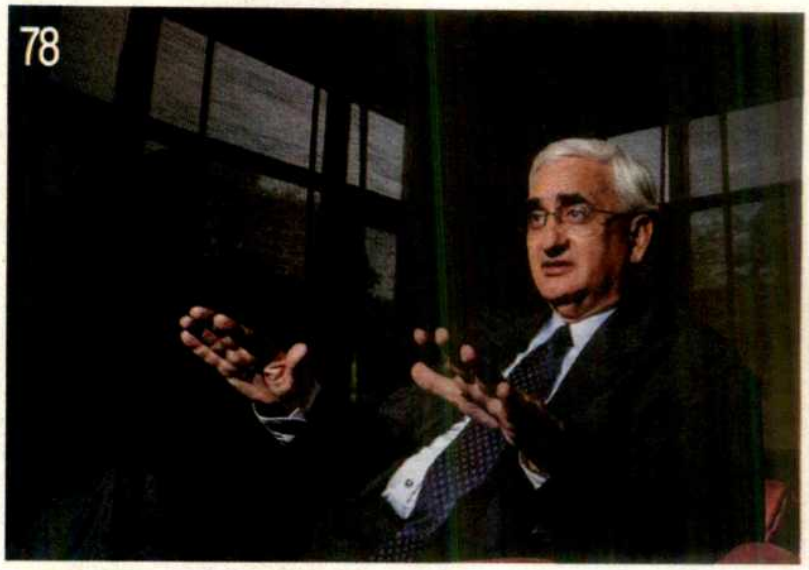

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Ga-ga Google

Product innovation and understanding of the Internet has made Google the king of the search domain (*Google's 4th Ace*, BT, September 6). But its eyebrow-raising revenues is thanks to marketing whizkids like Nikesh Arora who have helped Google spot niche business opportunities and leverage them to the hilt. Vinit Achyut, *Delhi*

Blame the Government

The government's lack of any clear-cut policy has contributed to the gas dispute involving the Ambani brothers (*Ambani Feud: The Real Story*, BT, August 23). The government kept shifting its stance on the issue of gas pricing. From maintaining that price should be market-determined, it came round to stating that it has an explicit role in approving sales price. Similarly, it did a U-turn on the issue of the MOU between the Ambani brothers. While it initially maintained it had nothing to do with "a private dispute", it later went on to contest the Bombay High Court order and dubbed the MOU as illegal. It would be most unfortunate if all this vacillation leads to the government being denied its rightful share of the gas revenues. **P.R. Pillai**, *Delhi*

The Flap over Cover

Since my college days, I've been a regular reader of your magazine and have been collecting its issues. But ever since you started coming out with "dual-flap" covers, it's become difficult to preserve the issues as the copies get easily rumpled and lose their looks quickly. **Kunal Gupta**

Murthy's Praise for Nilekani

In *What Makes Nandan Ubercool* (BT, August 9), when Narayana Murthy describes Nilekani as a clear thinker, a great conceptualiser and one of the brightest Infoscians, it does not sound hyperbolical coming from a man who is himself the rightful claimant of many of these qualities. When Murthy claims that there is none at Infosys to rival Nilekani's extraordinary facility, he is probably excluding himself. **Dr. Dilip Joshi**, *Pune*

Clarification

With reference to gas allocation to the Essar Group in *Ambani Feud—The Real Story* (BT, August 23), there was no intention to indicate that Essar was preferred over other consumers. The attempt was to illustrate the allocation policy laid down by the empowered group of ministers (EGOM).

The Magic of Bill Gates

Microsoft Is Still About the Magic of Software (BT, August 23) offered a lively interaction with Bill Gates who professes to his dream of wanting to see a PC within everyone's reach. Coming from Gates, wouldn't it be more appropriate for him to dream of putting a tablet-sized PC in everybody's palm?. Also, one would have loved to hear more from Gates about the configuration and features of the newly-launched Windows 7 and how different would it be from other operating systems around. **B. Rajasekaran, Bangalore**

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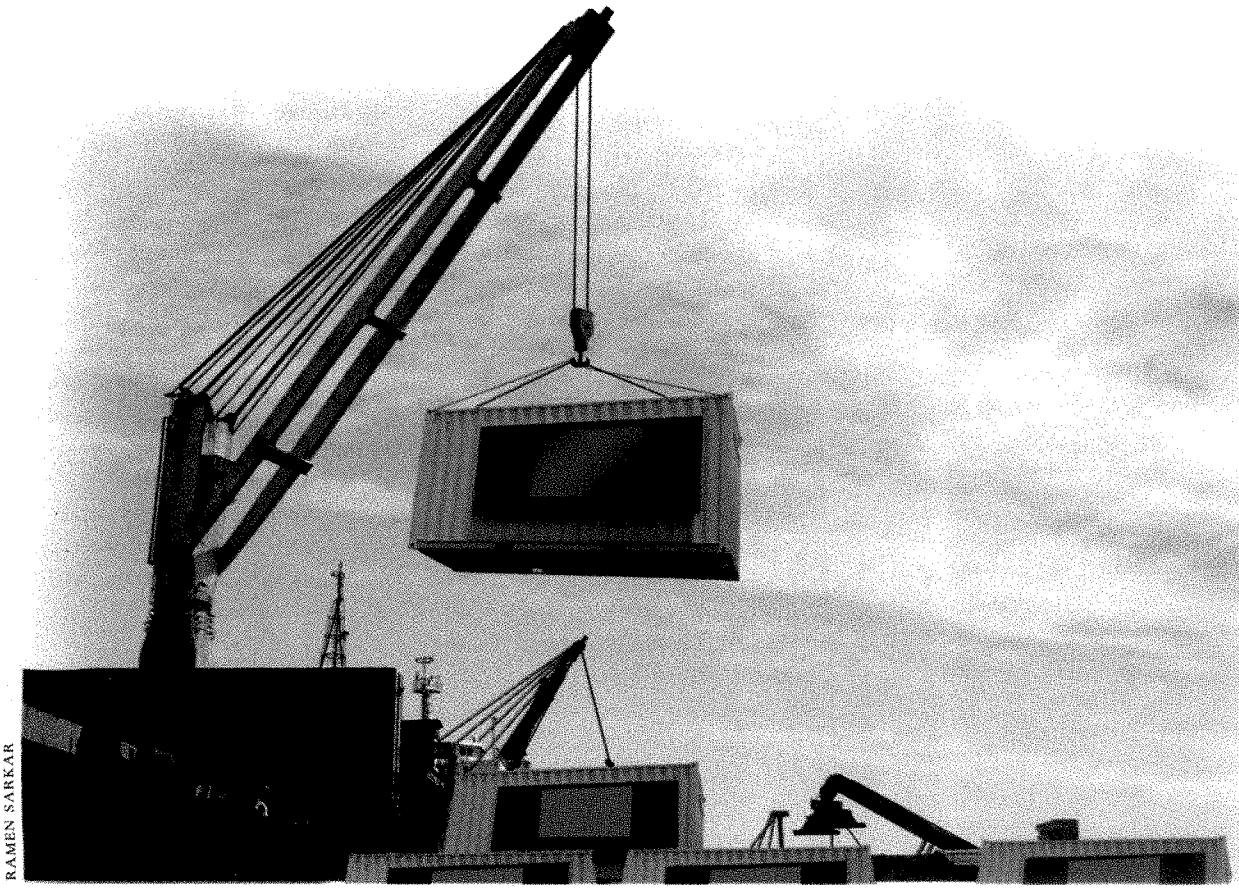


RAMEN SARKAR

Hoping for a Lift-off

Being deep down in the dungeon is not stopping the makers of trade policy from aiming for the moon in the foreseeable future. PUJA MEHRA

Trade continues to be the worst-hit sector in India even as the rest of the economy is beginning to sporadically grow green shoots. Indian exports—that are declining since October 2008—cannot turn around without a revival in global demand. And revitalising global demand is beyond the control of exporters themselves or even policy makers.

Yet, a government must announce its annual trade policy every year on the designated day. Then, every fifth year, a longer-term five-year road map is also laid down. So it was this year, too. Union Commerce Minister Anand Sharma announced the foreign trade policy (FTP) for 2009-'14 on August 27.

This, however, is perhaps a wrong year for making

INDIAN KIDS EAT INDIAN

Good news for entrepreneurs who own fastfood chains serving local cuisines. When it comes to eating habits, Indian children love Indian food. A recent Cartoon Network survey titled: "Chowder" found that pre-teens preferred Punjabi and South Indian cuisine more than any other.

The survey also revealed that cooking is not perceived as a gender-based activity among youngsters with 68 per cent of the 900 kids surveyed agreeing both boys and girls should learn to cook.

There's hope for burger and pizza joints, though. Nearly 70 per cent of those polled said they wouldn't mind experimenting and 57 per cent said they were keen to learn more about world cuisine.

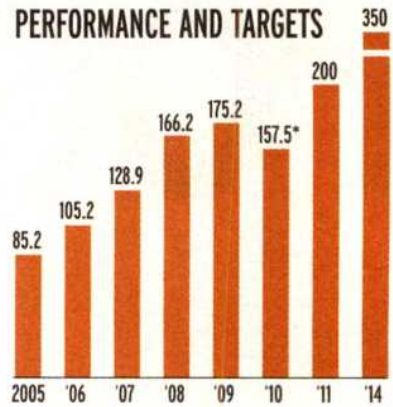
such pronouncements. A policy must contain both assumptions and assertions. How does one make them in a year in which no amount of lowering costs or repackaging exports can spur revival?

Omitting to forecast the recovery in his maiden trade policy, Sharma set hugely ambitious short, medium and long-term goals of doubling India's share (currently at 1.64 per cent) in world trade by 2020. Sharma has set a target of $200 billion by FY '11 from $175 billion in FY '09 or a 15 per cent growth over two years. In the medium term (FY '12-'14), his policy has targeted a growth of 25 per cent. His targets are based on the assumptions of improved supply of infrastructure, benefits from the introduction of GST and lower transaction costs. But these hardly constitute a ground-breaking policy push. So, while exports remain deep in the dungeons, Sharma's optimism on future targets is unbridled. But then, there's little else besides optimism he can offer in the current context.

Unusual as this year might be, in the past, too, trade policies have played only a marginal role in India's export performance. True, India achieved the targets of the last policy (it doubled its share of global trade in five years. But that was a period during which the Indian economy succeeded in meeting almost every single goal. For four of those five years, the GDP growth remained above the 9 per cent mark. So, policy makers cannot claim much credit for the spectacular performance.

Traditionally, India's FTPs have

PERFORMANCE AND TARGETS



Figures in $ bn. till 2009, they indicate actual exports and thereafter governments' targets
*Citigroup estimate
Source: Commerce Ministry

been low-key affairs that revolved around incentives, de-licensing and export targets, all of which lacked consistency and coherence. There are plenty of examples. In the 1990s, for instance, the United Front Government's Commerce Minister P. Chidambaram had announced a 15-country, 15-commodity matrix. Today, even a decade later, there are no "champion commodities" that the Indian export sector can really boast of. The idea was junked by Chidambaram's successor Ramakrishna Hegde in the very next Exim Policy (1997-2002). It resurfaced subsequently in a new avatar—Expansion of Market-Linked Focus Products Scheme (MLFPS). UPA2's FTP 2009-14 has revived this policy, extending it to 13 new markets and 1,700 products. It has also promised to raise Board of Trade—another old idea.

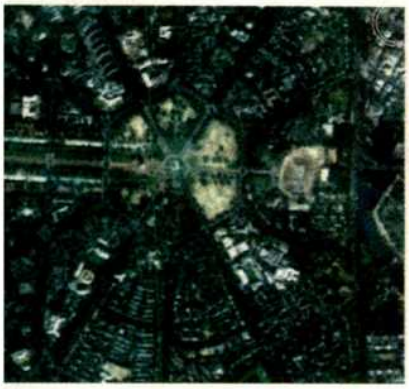
The lesson for exporters is clear: their destiny is in their hands, and not in that of the Commerce Minister.

RAMEN SARKAR

JARGONBUSTER

Upskill

What it means: The Webster Business Dictionary lists it as: to learn additional skills, especially as an alternative to redundancy.



Screenshot of the India Gate area in Delhi on Bhuvan (L); and Google Maps (Above). While even cars are clearly visible on Google, the images in Bhuvan are blurred.

A VIEW FROM SPACE

The Indian Satellite Research Organisation's latest toy, the Bhuvan Mapping Service, promises to be better than Google Earth. In reality, however, it's not even half as good. The first thing anyone does when they use a satellite image is to try and find their house and important landmarks by zooming in. We compared Bhuvan, not with the superior Google Earth but with Google Maps' satellite view, and tried to locate *Business Today*'s Delhi office, the Videocon Tower.

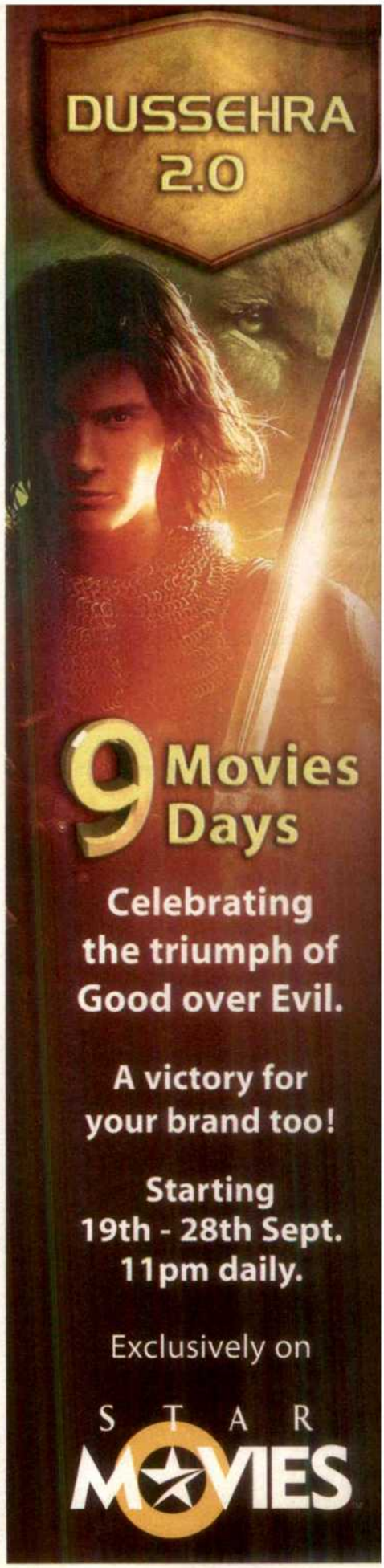
Bhuvan's resolution was so poor, that we could barely make out the buildings. We finally identified Videocon Tower through approximation, helped by the light-blue roof of the Jhandelwalan Metro station down the road. On Google Maps, which unlike Bhuvan works on every major browser and isn't tied to Internet Explorer, we could not only find the building easily, but could also make out individual cars on the road.

The biggest drawback with Bhuvan, however, is that it doesn't work when you want it to work! It didn't work when we needed to get screenshots for this story (it did so eventually after many hours). Google Maps worked, MSN Live Maps worked, Yahoo Maps worked and so did Nokia Maps on the N97. That said, we are sure ISRO will continue to release more and better information and will work on improving the service. They should start with getting new servers and more bandwidth, because if this is a rough diamond, it needs a lot of work to get to a finished product.

KUSHAN MITRA

How one uses it: As companies battle the slowdown by laying off staff, quite a few executives have surely had to hear this from their bosses: "During your career, it's important to ensure you continue to upskill."

What to use instead: The same message can be passed on in more precise terms by telling someone that she or he should "improve their worth to a company by developing required skills".



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'SNIPER TRADE' HITS DALAL STREET

Ever tried a Guerilla or a Sniper strategy? These popular algorithms or complex mathematical formulas that determine the best buying or selling prices are being offered by Goldman Sachs India and Credit Suisse India to international clients investing in India.

It has picked up in recent months, even though the Securities and Exchange Board (SEBI) of India allowed investors to buy and sell orders directly into the stock exchange in 2008. As direct-market access reduces the time to execute the order, algorithm trading can be used more efficiently.

So, how does it work? A Sniper technique, for instance, executes orders for not so-frequently traded stocks as and when the shares are available at a target price set by the investor.

- SEBI allows direct-market access to large investors since '08.
- Credit Suisse and Goldman Sachs offer algorithms-based trades to their clients.
- The trend is picking up among Indian brokerages as it cuts the cost of employing a dealer.

RACHNA M. KOPPIKAR

QUICK Q&A

KPMG's Global Tax Head **Wilbert H. A. Kannekens** *was in India last fortnight. He spoke to* **Puja Mehra** *about the raging issues in cross-border taxation. Excerpts:*

Will the Obama Administration's proposed changes in tax rules concerning outsourced jobs drive away such jobs from India?

The proposals are focussed on levying taxes on the profits the US companies make offshore for plugging the "gaping deficit". The concerns about job losses seem to be unfounded. One of the effects could even be that it makes the US companies keep more of their profits offshore to avoid paying the taxes and reinvest them in amounts greater than they do at present. Or it could make them divest their Indian operations to third parties. The jobs could then still stay here.

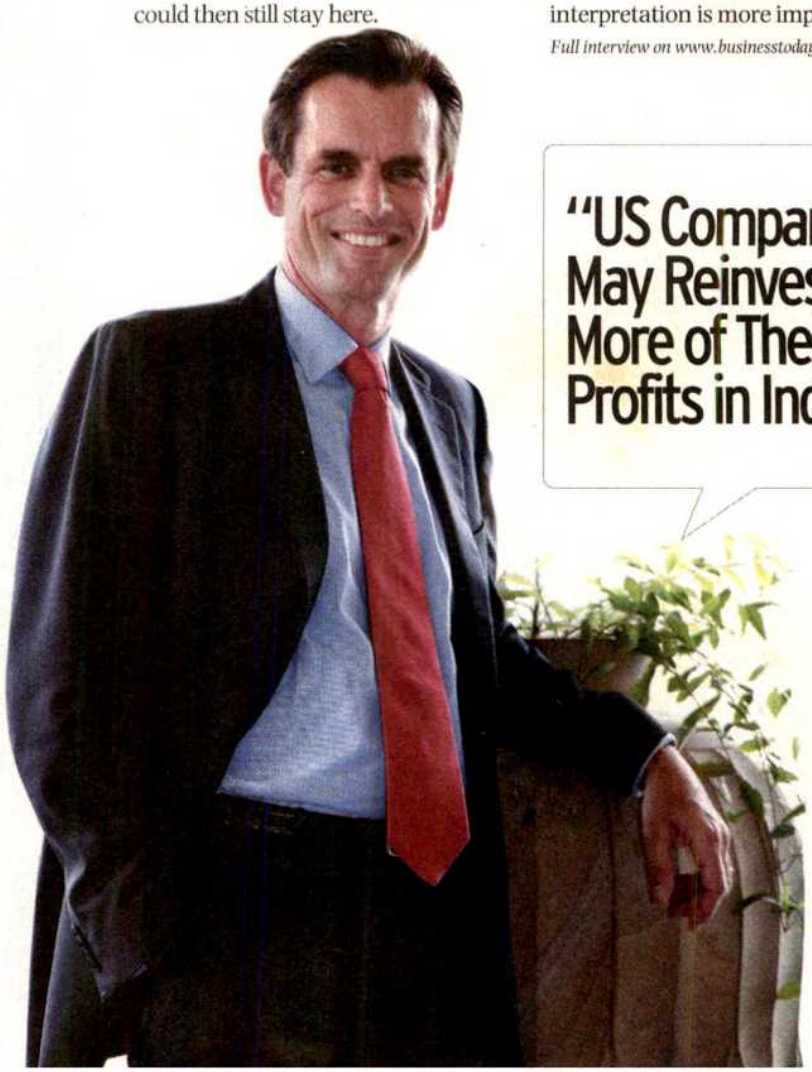
Will international pressure on tax havens to hide less and tax more impact bilateral tax treaties?

Treaties will either have to be renegotiated or countries will try to limit the tax benefits to companies with activities located in the low-or-no tax jurisdictions. Renegotiation will be better than letting domestic laws overrule international treaties.

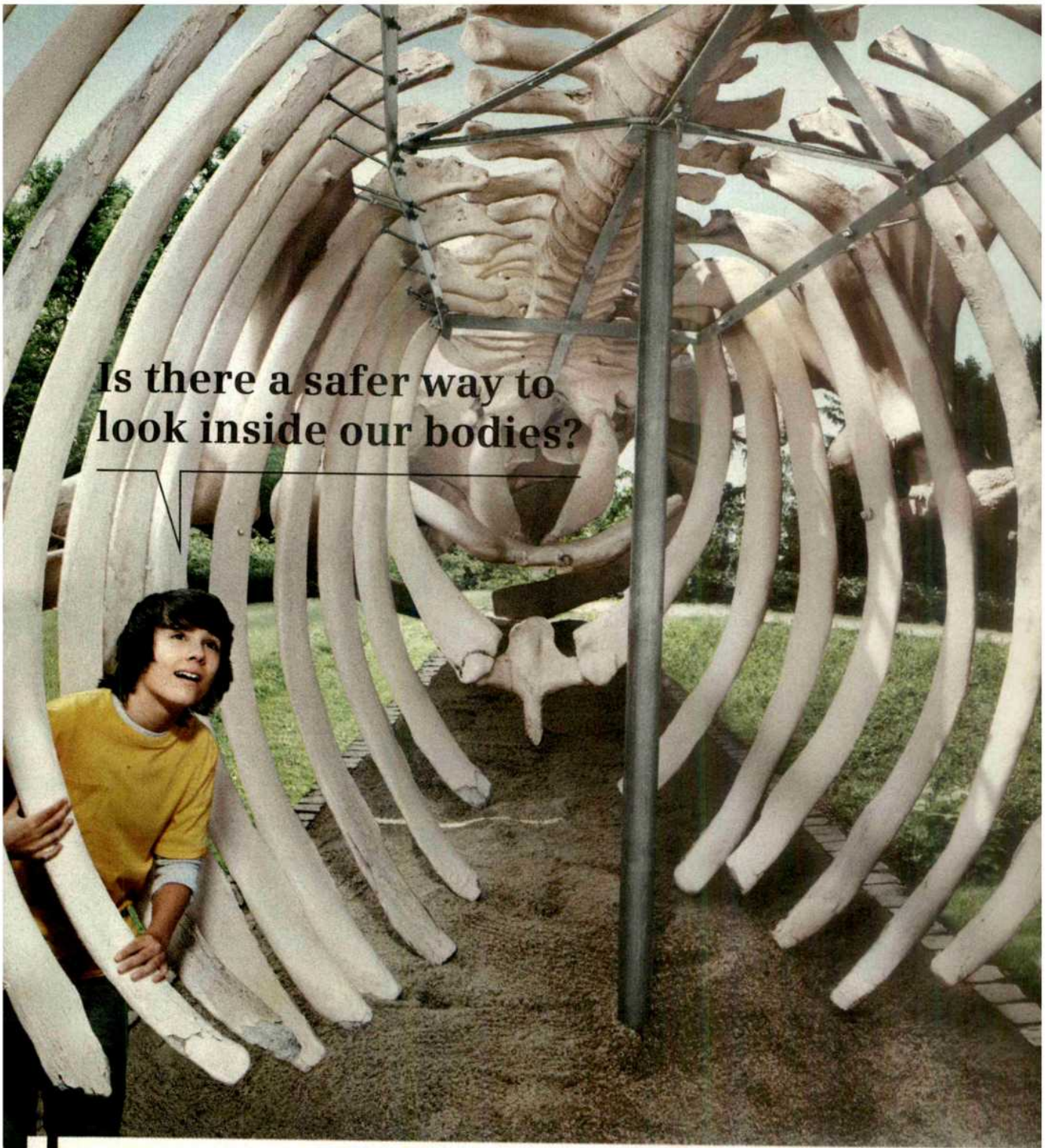
Are Indian tax rates amongst the most attractive in the world?

Foreign companies don't perceive India as a low-tax country. An effective tax rate of about 22 per cent is not very high but not very low either. The key is how profits are determined for the purpose of taxation. Consistency and predictability of rules and the interpretation is more important.

Full interview on www.businesstoday.in



SATISH KAUSHIK

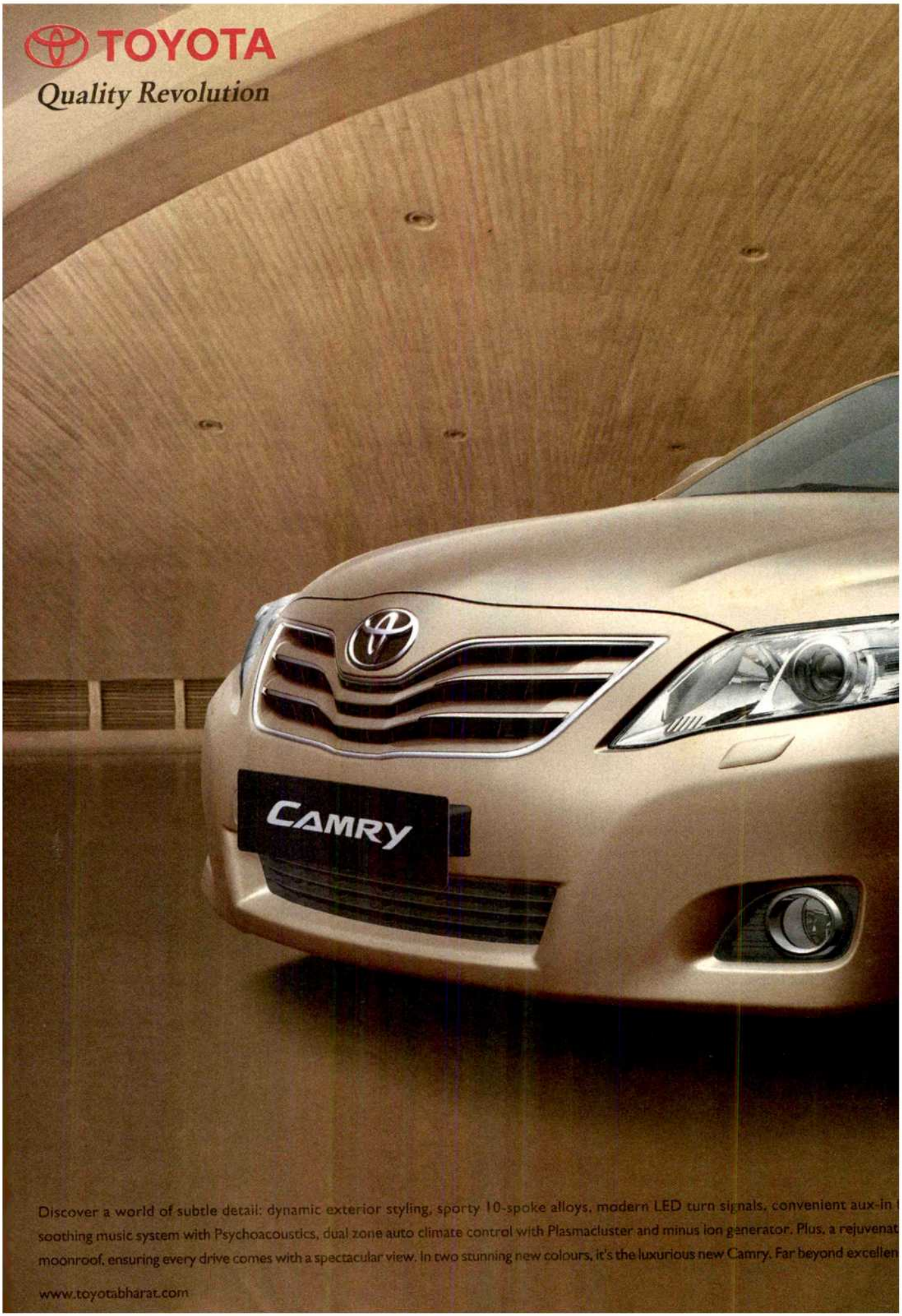


The new record-breaking Computed Tomography scanner from Siemens – combining the fastest scans in the world with the lowest dose.

For the first time, a thorax can be scanned in less than one second, a heart even in a quarter of a second. While revealing the most intricate vessels, radiation dose is far lower than with conventional methods, for a heart scan even below annual natural exposure levels. Thanks to this breakthrough technology, patients experience faster, easier and safer imaging.

siemens.com/answers

SIEMENS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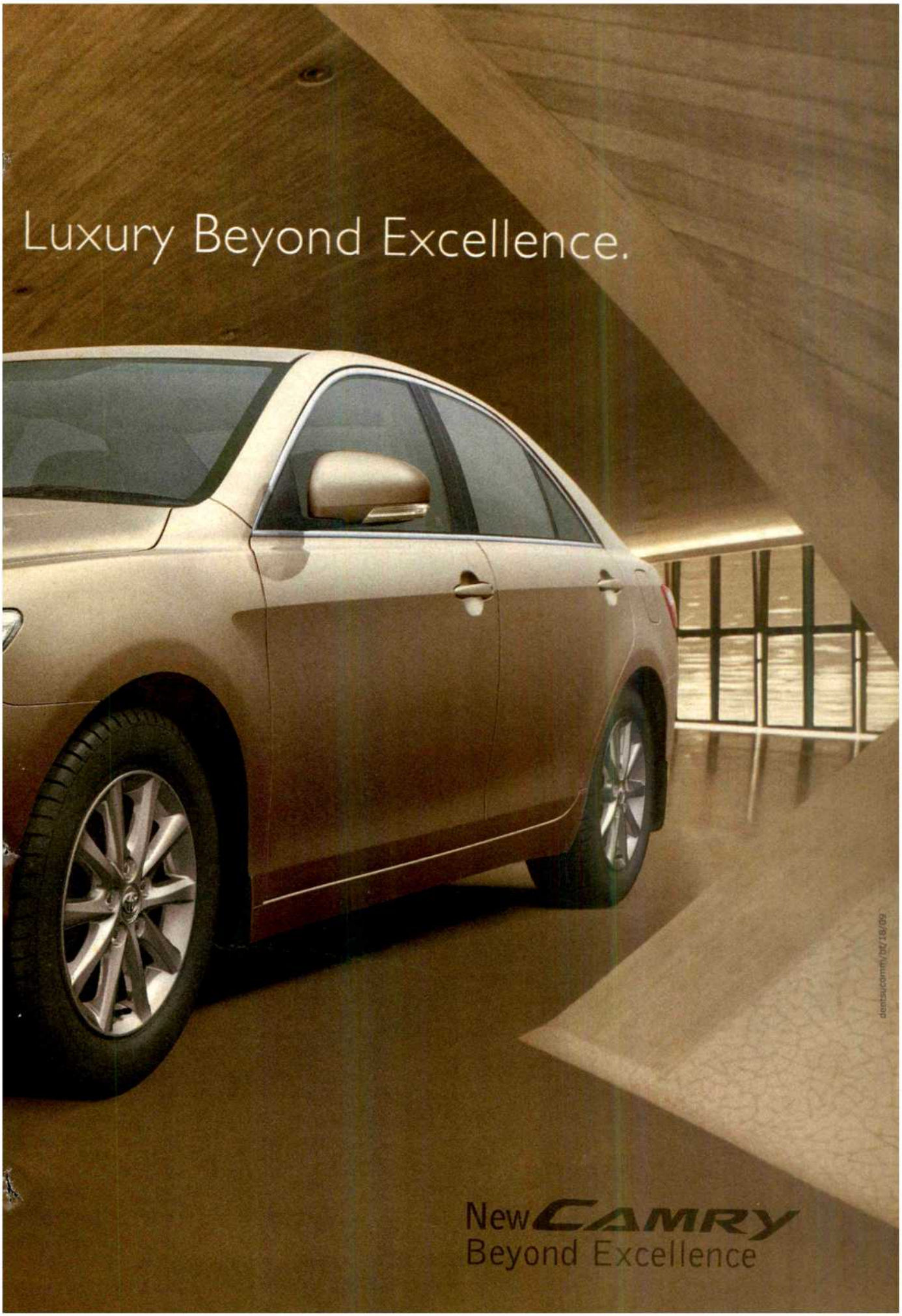
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New CAMRY
Beyond Excellence
dentsu.camry.pt/18/09

A Chance to Invest in Chinese Stocks

Till now there were not too many opportunities for Indians to invest in Chinese stocks. That, however, is all set to change thanks to the Benchmark Mutual Fund (BMF) exchange traded fund on the Hang Seng Index, the main index of Hong Kong Stock Exchange.

The mutual fund offer is waiting for a Securities and Exchange Board of India (SEBI) approval. "With this fund, Indian investors can have exposure to Chinese companies," says Rajan Mehta, Executive Director, BMF. He says 50-60 per cent of the Hang Seng Index components are Chinese companies. Some of the leading companies in the Index include; Bank of China, China Life Insurance Company, China Mobile, Petro China and CNOOC. These five alone enjoy a weightage of over 25 per cent in the index.

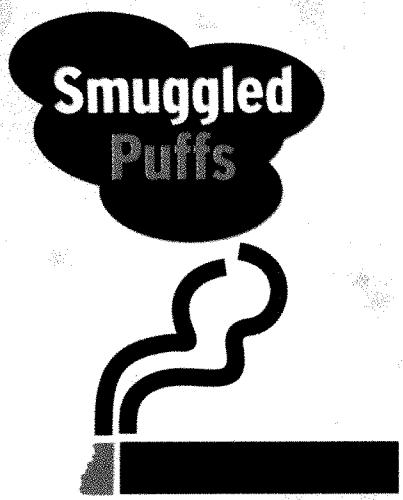
While the fund will invest in the companies of the Hang Seng Index, its net asset value will be in Indian rupees. The minimum investment will be Rs 10,000, making it the first of its kind index fund to be launched in india.

China's main index Shanghai Composite Index trades at PE ratio of 24-25 compared to 14-15 times for the BSE Sensex. The Chinese stock market, the best performing in the world in 2009, crashed in August and is currently down by half from November 2007 peak. There are worries that an increase in bank lending, which has helped drive the Chinese market, might see a rise in bad loans.

VIRENDRA VERMA

Advantage Hang Seng ETF

- First index fund on an international index.
- 50-60 per cent of index components are Chinese companies.
- Investment in Indian rupees.
- To be listed on NSE.



Smokers the world over consume a staggering 657 billion cigarettes that are illegally smuggled into their countries every year. And this number is growing. A recent World Lung Foundation report found that the illicit cigarette racket causes a combined revenue loss of $40.5 billion a year for governments.

The report "How eliminating the global illicit cigarette trade would increase tax revenues and save lives" was submitted at the Framework Conventional Alliance's (FCA) Geneva conference in July 2009. It says low income countries are the worst offenders. For instance, half the cigarettes puffed in Georgia and 40 per cent of those smoked in Bosnia, Bolivia and Uzbekistan are smuggled into the countries. China scores in sheer volume: 214 billion smuggled sticks were sold in China in 2007 alone. India ranks at 7 with 18 billion coming into the country through illicit trade.

"If the global illicit trade were eliminated, governments would gain at least $31 billion, and from 2030 onwards would save over 160,000 lives a year," says Hana Ross of the International Tobacco Control Research and a member of the team that carried out the survey.

657 bn Total illicit cigarettes per year

$40.5 bn Total annual revenue loss

11.6% People smoking smuggled cigarettes

Top 7 Countries/regions with the greatest illicit trade: China, Russia, US, EU, Brazil, Philippines & India

HP LASERJET ANNIVERSARY 25th

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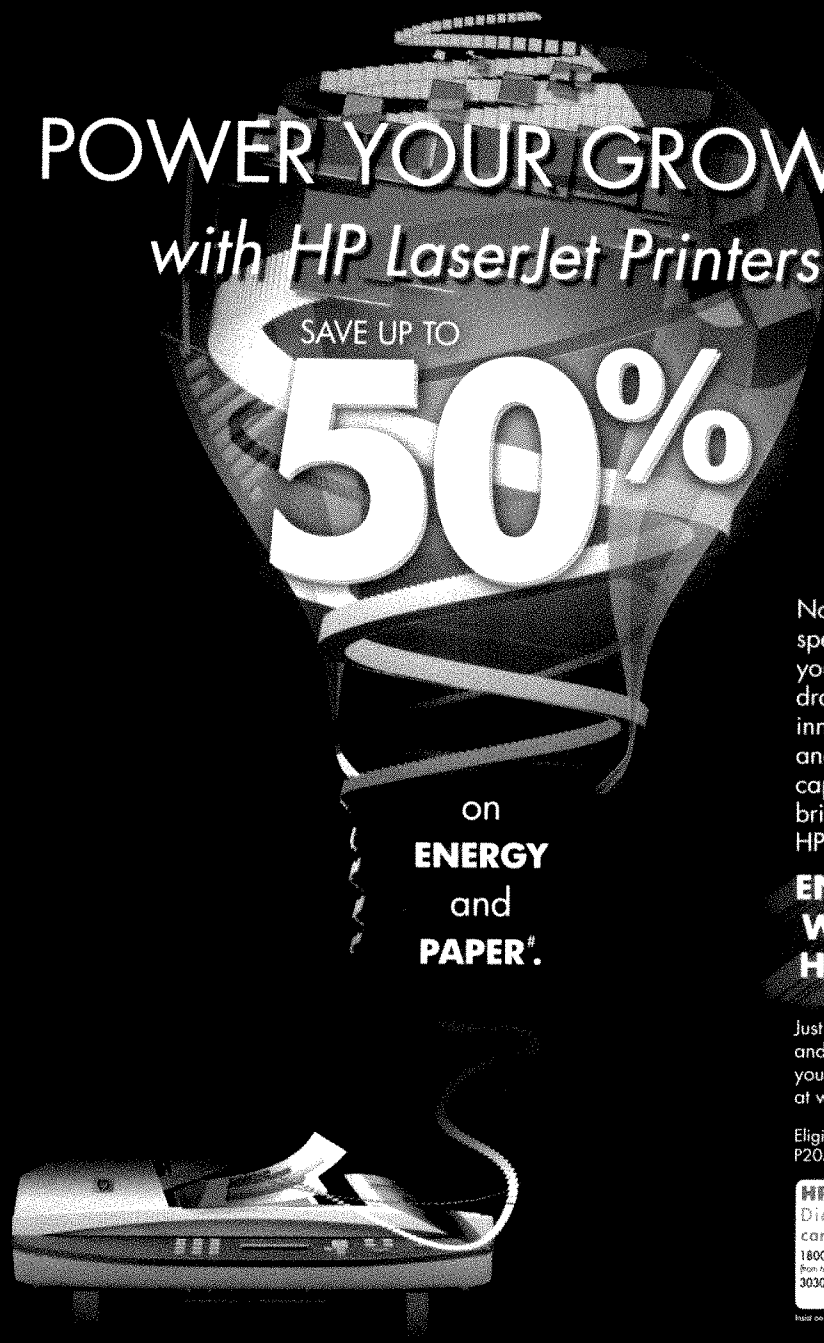

Now is the time to save more, not spend more. HP LaserJet printers allow you to reduce your printing costs drastically, thanks to our ingenious innovations like Instant-on Technology[1] and automatic two-sided printing capability. Now is the time to be even brighter and smarter and switch to HP LaserJet printers.

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HP LaserJet M1522n/ M1522nf MFP
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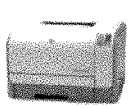
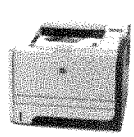
- Up to 23 ppm – print and copy
- Network ready – scan to email/folder, scan to fax
- First page out in less than 9.5 secs.
- 450 MHz processor with 64 MB RAM



HP Colour LaserJet CP1215
Rs.19,899/-
- Print speed up to 12/8 ppm (Blk/Clr)~
- 264 MHz processor, 16 MB RAM
- First page out as fast as 24 secs. (Blk)/30 secs. (Clr)
- B&W prints at the cost of a mono printer



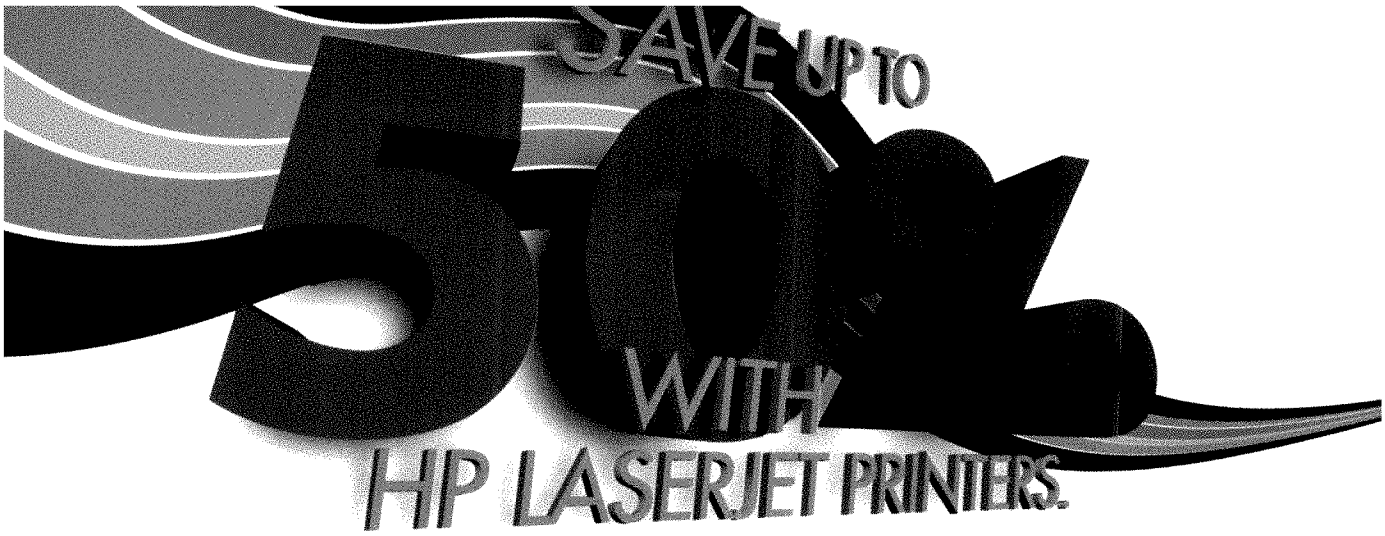
HP LaserJet P2055 series
Rs. 23,299/- onwards
- Print speed – up to 35 ppm
- Automatic duplex printing
- First page out – as fast as 8 secs.^ from the power save mode
- Duty cycle up to 50,000 pages per month
- 600 MHz processor, 64 MB RAM (P2055d)/128 MB RAM (P2055dn)**

* To avail this offer customer needs to register online at www.hp.com/in/printerpromo within 15 days of purchase and send in the required documents to the HP Redemption Cell within 30 days of purchase. Handling charges of Rs. 500 will apply on each claim. Offer not valid on bulk deals and purchases under DGS&D Rate Contract. Offer Terms and Conditions apply

Energy savings based upon HP testing using ENERGY STAR® programmes' Typical Energy Consumption (TEC) methods on HP LaserJet products with Instant-on Technology vs. top competitive models as of March 2009. Paper savings based on automatic two sided printing available on select models.

1 Instant-on Technology, found in many HP LaserJet printers, provides up to 50 percent energy saving over traditional fusing, while delivering a first-page-out up to 50 percent faster than competitive products. Confirmed by third-party testing from QualityLogic Inc.

~Ready mode. ^Power save mode. **Expandable up to 320 MB (for P2055d) & up to 384 MB (for P2055dn)



According to a Gartner study, organisations spend between 1% and 3% of their revenue on printing [1]. Cutting down a significant chunk of those costs by managing your print environment when using the new range of HP LaserJet printers, can translate into thousands of rupees in savings even for small to medium businesses besides maximising office productivity

WHEN EVERYTHING COUNTS, COUNT ON HP

In March 2009, the HP Imaging and Printing Group (IPG) launched its Cost Saving Platform in India, and announced its comprehensive suite of printing solutions and programmes to help businesses obtain more value from their IT investments in this challenging economic climate. HP's LaserJet printers are designed to bring down printing costs and reduce energy use, while leveraging print management tools to further reduce costs and increase efficiency using various technological innovations [2], including:

HP INSTANT-ON TECHNOLOGY

HP Instant-on Technology uses cutting-edge fuser technology to produce the first page faster when a printer is coming out of Power Save mode so that the print job is done sooner. It uses 50% less energy than traditional fusing while offering up to 50% faster first page out speed. Average office print jobs of 3-5 pages can be finished on HP LaserJet printers before many printers have even started printing. With Instant-on Technology, HP printers are always ready to print, even in powersave mode. You also save money by using less energy to warm up, without compromising on the speed and quality of your print jobs.

DUPLEX PRINTING

Duplex printing, also referred to as two-sided printing, allows users to print on both sides of the page, cutting paper use by up to 50%. Precision double-sided printing in A3/A4 sizes is a practical way to print large documents in an easy-to-read format. By using the HP Web JetAdmin or HP Universal Print Driver, IT teams can set duplex printing as the default mode of printing. Also, HP auto-duplex units significantly reduce paper usage and wastage by allowing double-sided printing.

CONTROL OFFICE COLOUR COSTS

Colour can make business documents look more professional and improve readership by up to 40%. Now you don't have to deny your business the power of colour, even if most everyday documents are Black & White.With the new generation of HP Colour LaserJet printers you can print Black & White pages for the same cost compared to a Black & White LaserJet while having the option of laser colour on demand. You can also control colour usage using Colour Access Control and Web JetAdmin.

HP CARBON FOOTPRINT CALCULATOR

Reducing environmental impact and operational costs are easier than you think. HP has been able to introduce significant energy savings on its current LaserJet printers i.e. up to 174% against competition. The HP Carbon Footprint Calculator for printing helps you evaluate your energy consumption, paper use, consolidation of devices, energy saving techniques, carbon impact of usage and the estimated monetary expenditure.
To get started, visit: www.hp.com/go/carbonfootprint

HP MULTIFUNCTION ADVANTAGE

HP LaserJet Multifunction printers allow you to save time, space and money by combining the power of multifunctionality with the user friendliness and reliability you love in HP LaserJet printers. With innovations like Instant-on copy, workflow solutions like scan to e-mail and conveniences like Fax/Telephone, HP LaserJet Multifunction printers are the right tool for businesses looking to multiply savings and productivity. What's more, the HP LaserJet Multifunction printer range now starts at Rs. 11,349/- (MRP) making it more affordable and advantageous than ever before.

The first step towards maximising efficiency and reducing cost is to know where to look. To position your business for market recovery and enjoy up to 50% savings, don't look beyond HP LaserJet printers - The world's No. 1 printers for business [3].

ENJOY ONE THREE YEAR WARRANTY ON SELECT HP LASERJET PRINTERS

Just purchase an eligible model between 25th July and 30th Sept., 2009 and register/redeem your claim as per programme. Terms & Conditions at www.hp.com/in/printerpromo

Eligible models: HP LaserJet M1522nf, P2035n, P2055d and CP1215.

(1) Source: Gartner, 'Reducing Paper Consumption Will Drive Down Costs and Improve Workflows', Malcolm John Hancock, 22 December, 2008.

(2) Innovations and features may not be available across the entire range of HP LaserJet printers. For product specific features, please visit hp.com/in/laserjet

(3) Based on HP LaserJet share leadership as evidenced in IDC, Q3-2008 Hard Copy Peripheral Tracker Revision 2.

According to a recent report by Gartner, 'Actively managing office printing can lead to a reduction of 10% to 30% in recurring spending on document output. Immediate cost-saving opportunities can be found in managing the behaviour of printing in your organisation by utilising HP innovations to reduce energy costs and control over the output environment.'

BBDO INDIA/HP/IPG/133/09

QUICK Q&A

'Firm Dies When Focus Shifts from Consumer to Competitor'

NISHIKANT GAMRE

Gaston Legorburu, *Chief Creative Officer of the global servicing firm, Sapient, spoke to* **Anamika Butalia** *about how interactivity can boost a plethora of businesses. Excerpts:*

What is the philosophy at Sapient?

Simply put, we believe that a two-way conversation between our clients and their customers holds immense value. Most companies perish because their focus shifts from consumers to competitors. Our philosophy is to help clients who need to keep in touch with their end consumers, with the help of tools such as Internet, on-ground activities and mobile phones. This business, which contributes nearly 50 per cent of Sapient's global revenues, is called Sapient Interactive.

Does Sapient Interactive have a global footprint?

So far, the services were available in North America and Europe. However, we're looking to expand especially in the APAC region. In India, Sapient's consulting and IT servicing arm— 4,000 employee strong—have been very active for the last 10 years, albeit servicing global clients. We have begun hiring and intend to begin full-fledged "interactive" operations for Indian clients before year-end.

How conducive is the Indian market for interactive marketing?

Even if Internet penetration in India is termed "low" by global standards, it amounts to a highly valued number. Current figures show that Internet penetration is 40-50 million, whereas mobile users amount to 400 million. This makes Sapient Interactive very optimistic about working in India.

BYE-BYE CALL DROPS

Call drops, as poor connections are known, aren't restricted to any single operator. Poor connectivity, in fact, is one of the biggest irritants for subscribers. So, what's the way out? The solution, says Udit Mehrotra, Director, Ubico Networks, a company promoted by the majority owners of Shyam Group who also has a minority stake in Sistema Shyam Teleservices, is to install an in-premises distribution antenna system (DAS). "Research shows that 60 per cent of mobile phone calls originate or are received inside buildings. What a DAS does is enhance the network strength within a building, by complementing the existing tower," Mehrotra points out.

This is how it works: the telecom solutions company installs a DAS inside a building which plays host to the base stations of multiple cellphone operators and is further connected by a network of wires to mini antennas installed all over the building. "It's cost-effective. While erecting a tower would cost Rs 30 lakh, a DAS can be installed for as little as Rs 12 lakh, with the cost being shared by operators," says Mehrotra. This market is hotting up with the likes of Kavveri Telecom and Quippo also providing DAS.

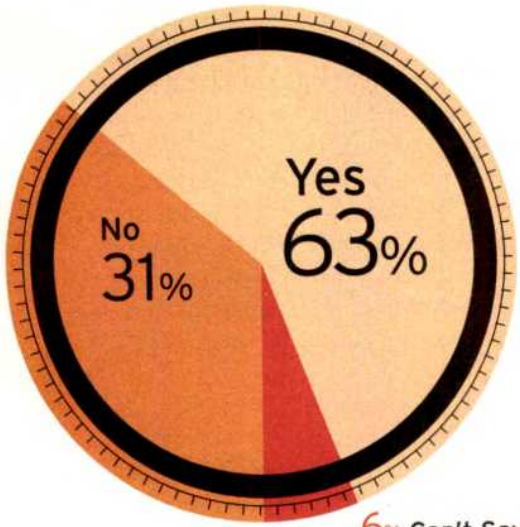
TEJEESH N.S. BEHL

Advantage Operators: Increased likelihood of stickiness to operator and higher revenues due to increased usage.

Advantage Subscribers: Apart from saving time, also cost saving as conversation can be completed in a single call.

Advantage Realty Developers: Building aesthetics not compromised as there's a single base station instead of multiple antennas.

Q Will you prefer to forgo tax exemptions if it means lower tax rates?



Results of *BT* Online poll: No. of respondents: 211

I would like a regime of lower tax rates and no exemptions. However, under the direct taxes code draft, the tax rate for corporate taxpayers is 25% whereas the maximum marginal rate of tax for individual taxpayers is 30%. If introduced, this would upset many taxpayers.

Subhash Lakhotia
Tax & Investment Consultant

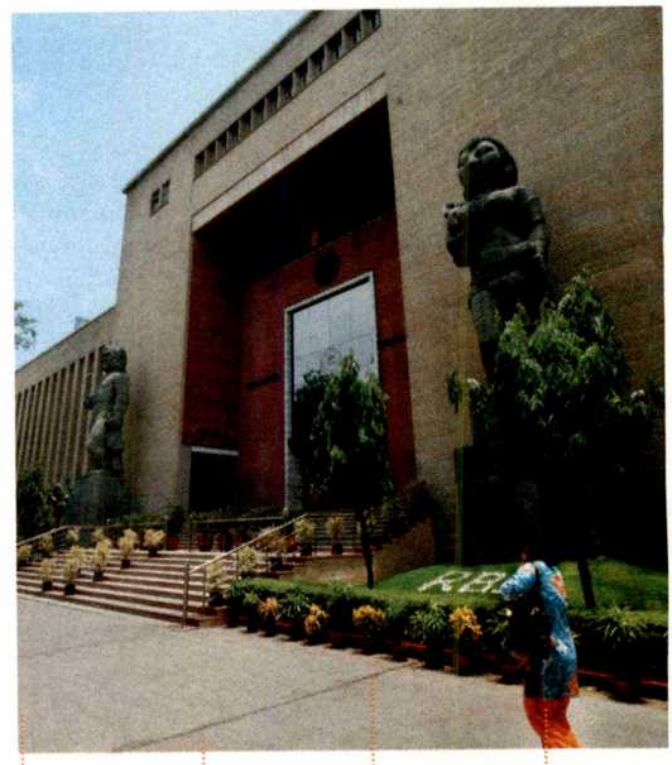
By minimising or doing without tax exemptions, it's quite obvious that people will gain more. This will not only make one's tax planning simpler but also inculcate honesty in individuals who spend months figuring out unfair means to save tax.

Bharat Dhawan
Managing Director, Mazars Advisory

Next poll question for you: Do you feel more financially secure today than you did six months ago?
Log on to www.businesstoday.in to cast your vote

Compiled by Manu Kaushik

RBI's New Regulatory Framework



SHEKHAR GHOSH

- **The RBI** is studying a proposal of placing a minimum lock-in period for banks to hold assets (retail or corporate) before securitising and selling them to another entity.
- **It is also working** on a new regulatory framework that intends to plug the gaps when it comes to inter-linkages of financial entities.
- **Building capital buffers** in good times may also be taken up. A sudden spurt in non-performing assets in the last 18 months has increased the provisioning requirements.
- **The apex bank** wants maintenance of a certain level of economic capital in private equity approvals sponsored by banks.

As the world's biggest financial crisis since the Great Depression unfolded, the mandarins at the Reserve Bank of India had their task cut out—grappling with the pace of reducing interest rates and managing the government's burgeoning borrowing programme. There's another equally important role of the RBI that has gone unnoticed, though—of supervision. While India hasn't been as badly hit as many other global economies, that doesn't quite eliminate the need for reform. At a recent JRD Tata Memorial Lecture, RBI Governor D. Subbarao did throw some light on the regulatory aspects. "The question we need to answer is whether an existing practice or a change in rule delivers higher and more secure real economy growth; not whether it develops the financial sector," he said. The RBI has already begun the task of re-writing the rules of the game.

ANAND ADHIKARI

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Kerala Tourism teams up with Jet Airways to help you land the best holiday deals to God's Own Country

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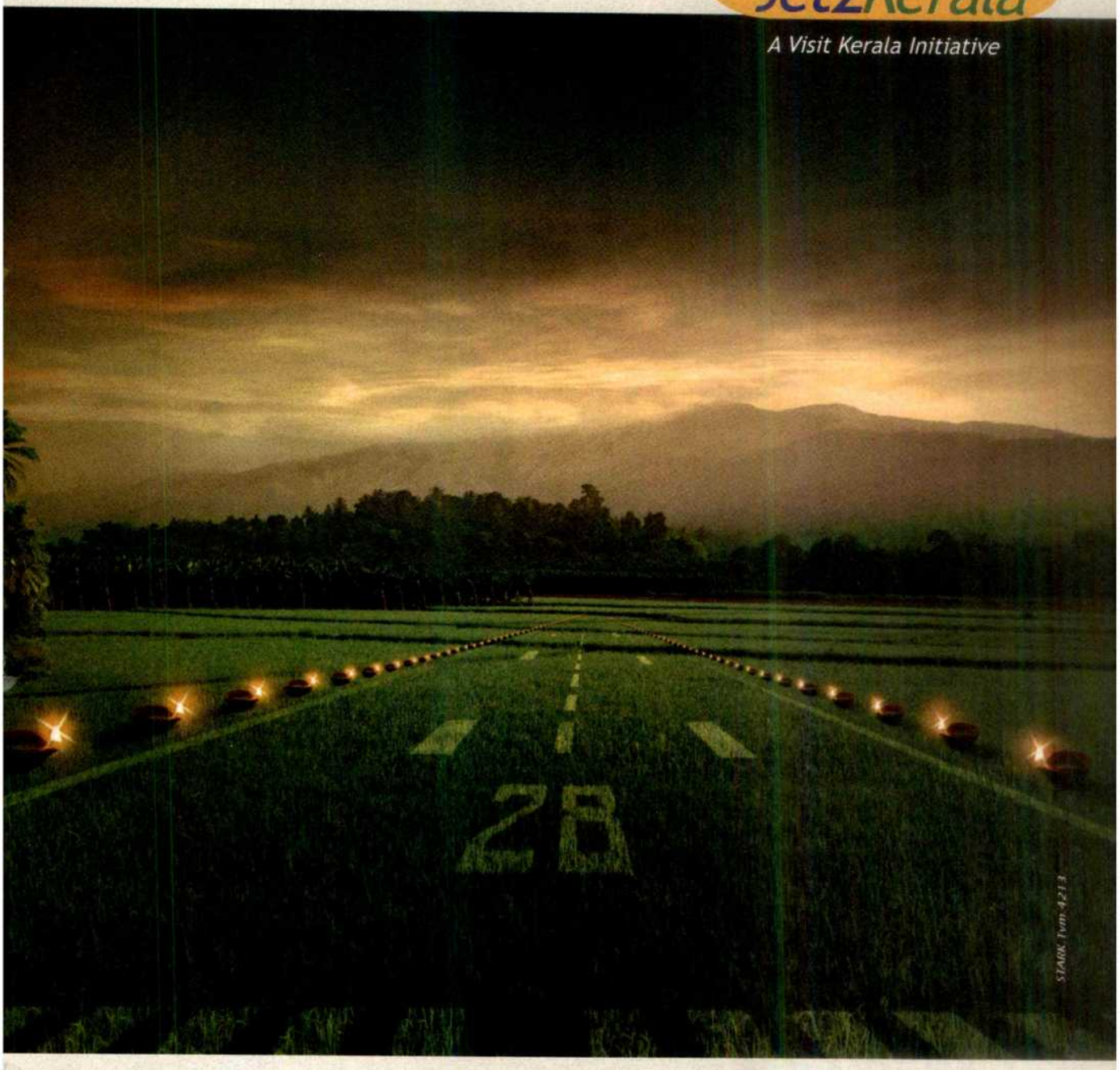
A Visit Kerala Initiative



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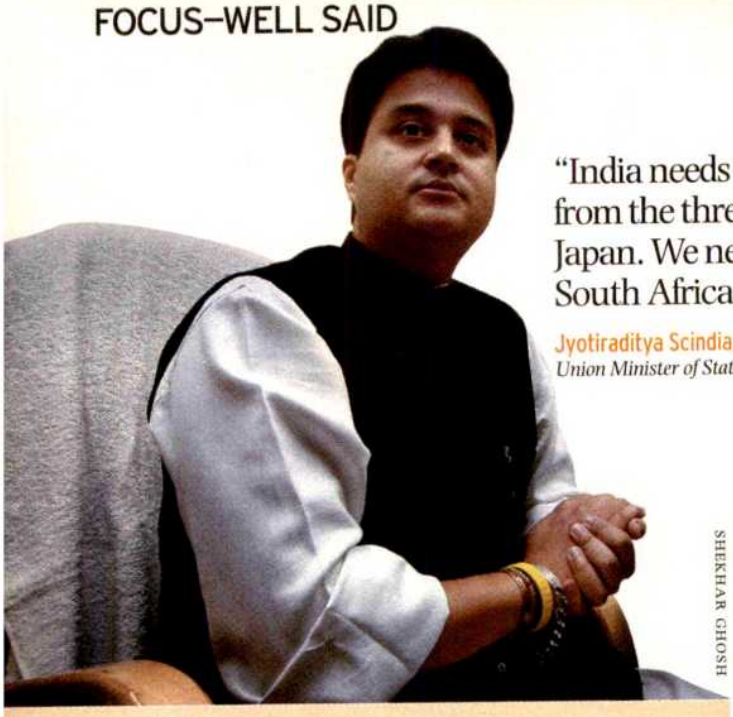


"India needs to look at newer markets for exports apart from the three primary markets of the EU, the US and Japan. We need to diversify into markets like West Asia, South Africa, ASEAN and CIS"

Jyotiraditya Scindia,
Union Minister of State for Commerce and Industry, in Business Standard

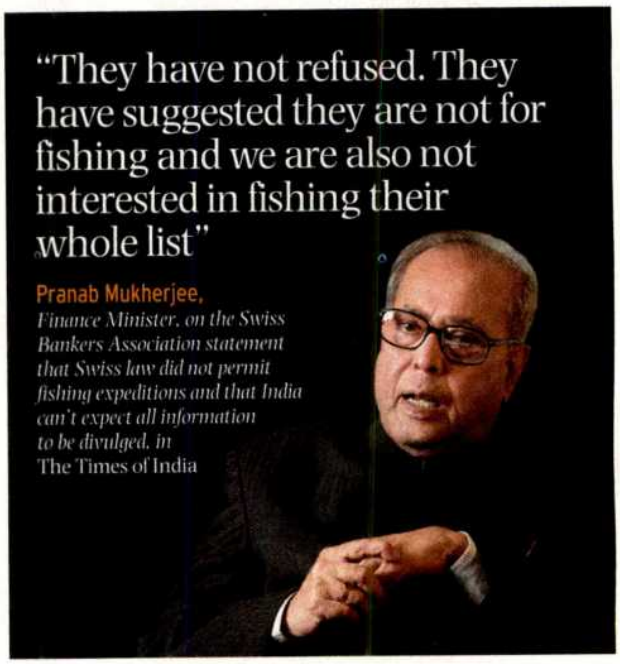
SHEKHAR GHOSH

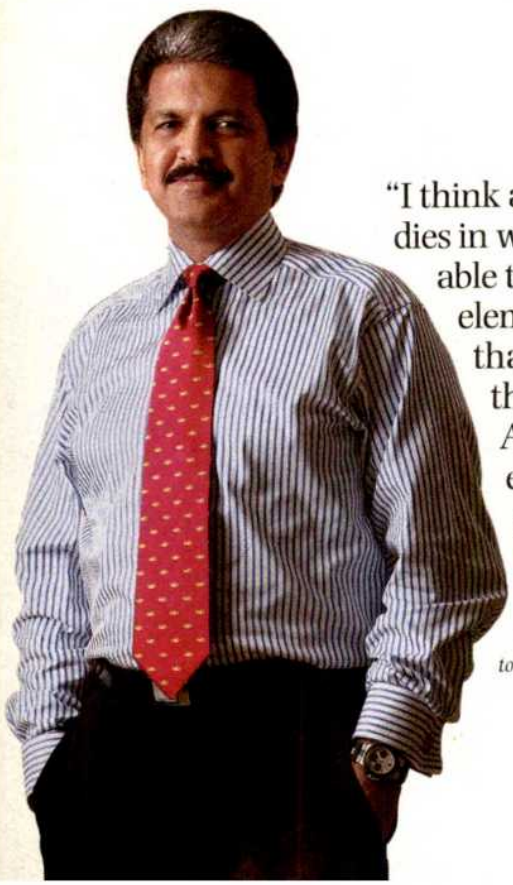
"Marketing is changing from informing to engaging with consumers through Web 2.0 and this engagement is missing in TV or print advertising"

Aditya Nath Jha,
Vice President and Head, Global Branding, Infosys Technologies, in The Hindu Business Line

"They have not refused. They have suggested they are not for fishing and we are also not interested in fishing their whole list"

Pranab Mukherjee,
Finance Minister, on the Swiss Bankers Association statement that Swiss law did not permit fishing expeditions and that India can't expect all information to be divulged, in The Times of India



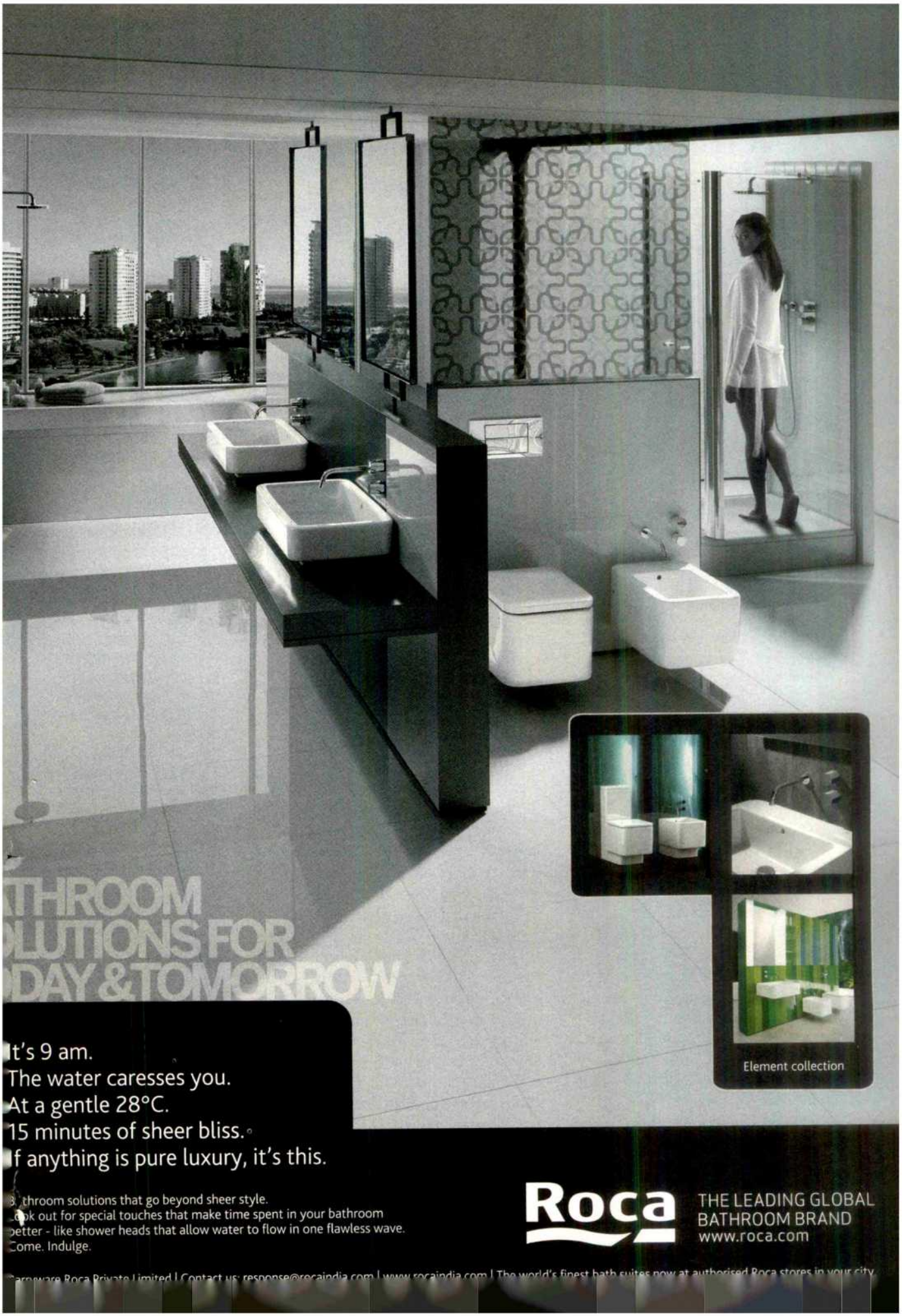


"I think a CEO lives or dies in whether he's been able to hold on to elements of culture that are needed in the company. And build new elements that are also needed"

Anand Mahindra,
Group Vice Chairman & MD, Mahindra & Mahindra (M&M), to ET NOW

"I don't think we should be talking about green shoots, we should be talking about the bloom"

Kalpana Morparia,
CEO, JPMorgan India, in The Economic Times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The water caresses you.
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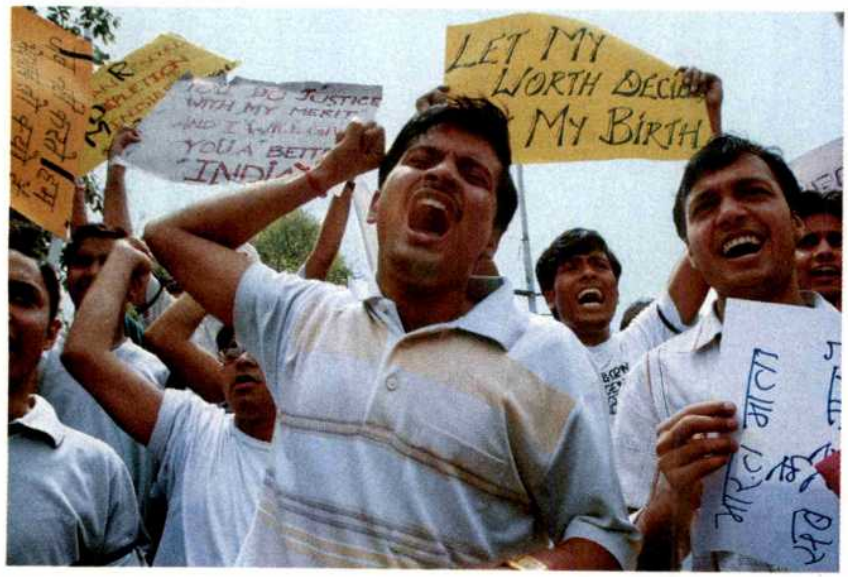
Government Mulls Including Muslims in OBC List



Should Muslims be considered a part of Other Backward Classes (OBC)? Or should reservation be made separately for the community?

In his proposal on reservations for Muslims, Union Minister for Minority Affairs Salman Khurshid has recently submitted both these options.

Though it is not on the government's 100-day agenda, the politically-sensitive issue is part of the Congress Party's manifesto.

Khurshid personally feels the first option, drawn from the Kerala and Karnataka models of reservations, would work better. "Your competition then will only be with the other backward classes," he explains, adding: "You give them reservation as a minority and their competition will be with the majority." The PM will now place the proposals before the government and the party.

The second option of reserving jobs for Muslims as a minority group runs against the conventional understanding of reservations: That it can't be done on religious grounds and that only a group or a class can get it. "Whether it can be done or not, if there is separate reservation for Muslims, it may create a precedent," warns Khurshid. The biggest problem, however, is that existing reservations for various classes have already touched the 50 per cent mark and further reservation will leave precious little for ordinary citizens.

Khurshid's preferred option, therefore, maybe to go the Kerala way where the Backward Commission judged that Muslims could be included as part of OBC. But if this happens, will Muslims compete for the 27 per cent reserved seats with other OBCs? Or is it better to reserve a share of the 27 per cent for them?

At present, the AP government's theory is to exclude upper class Muslims and provide 4 per cent reservation for the rest (since Muslims form about 11 per cent of the population in AP). The matter is currently in court. The question is: How many new jobs would such reservation mean for the community beyond a few in the Railways and certain PSUs?

PUJA MEHRA

BT HISTORY

MOBILE PHONES: THEN & NOW

Business Today,
June 7-21, 1996

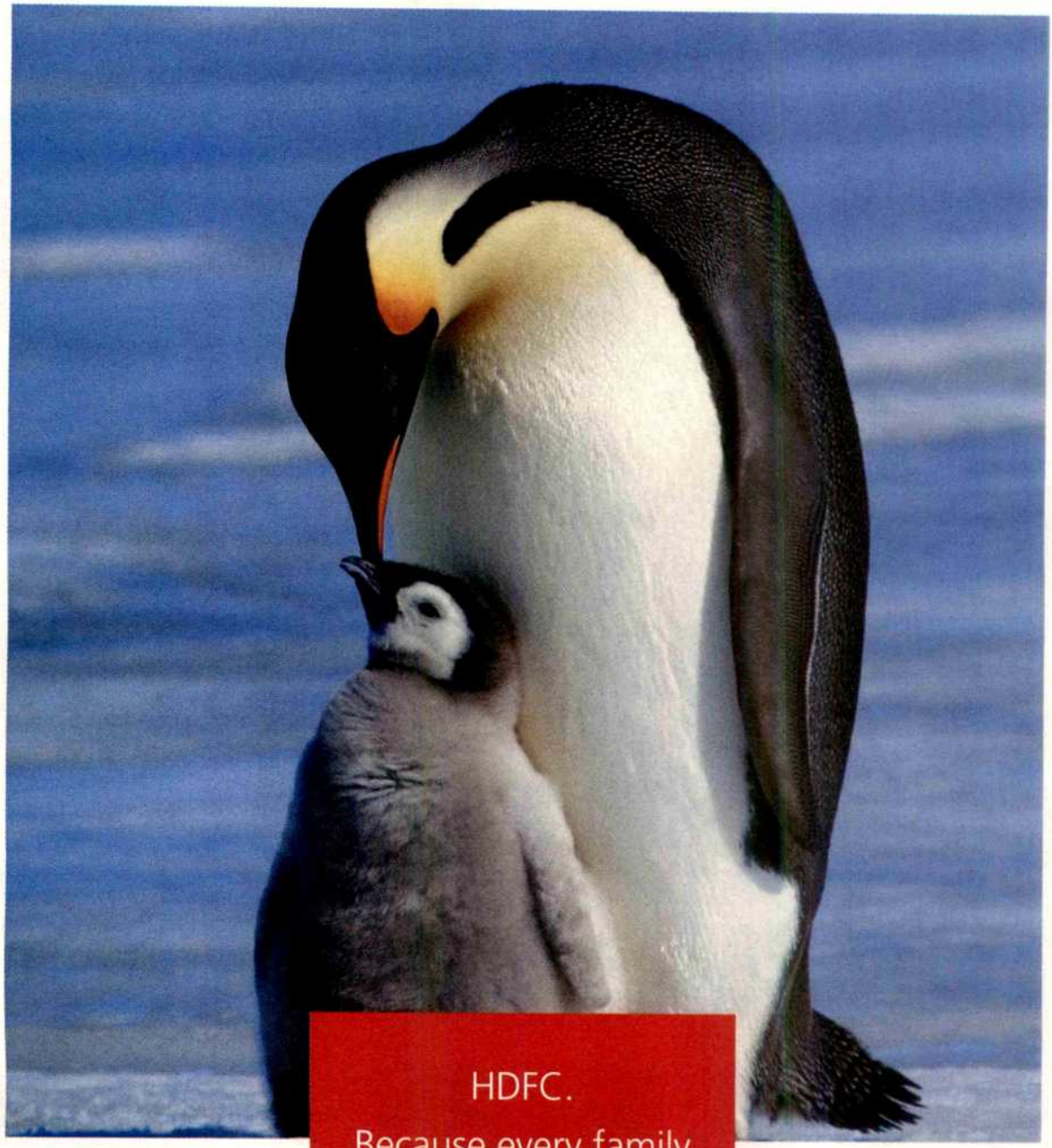
You thought you were mainstream with corporate India's latest technological toy because you have one of the black beauties being hawked here in your pocket? Hullo – you're a tad out of touch with what's happening to the cellphone. Snazzy new models are popping up every month...

... Outward bound? Don't leave the cellphone behind. You can go in for a national roaming facility for an extra Rs 1,500 per month for one city. It means you have your own unique number on your SIM card and you can use it in all the four metros that have cellular phone services.

That isn't all. You can avail of an encoded STD facility on your SIM card for either one, two or three cities. Operators are still working out the modalities of interconnections with overseas service providers–for international roaming facilities.

VIKRAM CHHACHHI

POSTSCRIPT: *As India awaits the launch of 3G services, the number of mobile subscribers has jumped from around 3.3 lakh in 1997 to over 450 million in 2009. Roaming, too, costs as little as Re 1 per minute. These are just two indicators of how dramatically things have changed in 12 years.*



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BT-TAM

Most Watched Ads In July 2009

Idea Cellular — GRPs 2,038

1 Rank

Seconds on air: **6,38,975**

Fair & Lovely Mulltivitamin — GRPs 1,249

2 Rank

Seconds on air: **3,65,700**

Sun Direct — GRPs 1,170

3 Rank

Seconds on air: **2,98,015**

Airtel Cellular Phone Service — GRPs 1,000

4 Rank

Seconds on air: **3,03,360**

Lifebuoy Total — GRPs 877

5 Rank

Seconds on air: **2,33,460**

Bajaj XCD 135 DTS-Si — GRPs 853

6 Rank

Seconds on air: **2,03,465**

Pureit Water Purifiers — GRPs 815

7 Rank

Seconds on air: **2,61,770**

Castrol Activ 4t — GRPs 807

8 Rank

Seconds on air: **1,73,085**

Axe Dark Temptation — GRPs 790

9 Rank

Seconds on air: **3,97,580**

Dettol Toilet Soaps — GRPs 766

10 Rank

Seconds on air: **2,93,160**

There's clearly a healthy jostle for space in our monthly ranking of "India's Most Watched Ads" as it's not always the big spending FMCG sector that tops the most watched list. The top ad this time is from Idea Cellular. Similar was the case in our June '09 ranking when Pureit (the water purifier) made it to the top followed by Airtel. Here's the list of ads that have hogged the maximum space in July.

THE OTHER FIFTEEN

RANK/BRAND		GRPs
11	Bajaj Pulsar 220 DTSi	747
12	Colgate Dental Cream	679
13	Sunfeast Marie Light	678
14	BSNL 3G	663
15	Dettol Fresh	659
16	Colgate Active Salt	643
17	Fair & Lovely Multivitamin	625
18	Cipla I-pill	617
19	Clinic All Clear Tech Soft	602
20	Dove Hair Fall Therapy System	601
21	Nestle Munch	597
22	Sunsilk Thick And Long	593
23	Garnier Fructis Long & Strong	590
24	ICICI Prudential Life	570
25	Surf Excel Detergent Cake	566

MOST WATCHED ADS JUNE '09

RANK/BRAND		GRPs
1	Pureit Water Purifiers	1,387.4
2	Airtel Cellular Phone Service	1,328
3	Sun Direct	1,001
4	Clinic All Clear Tech Soft	954
5	Nirma	934.2
6	Hero Honda Motorcycles	790.9
7	Fair & Lovely Multivitamin	737
8	Colgate Active Salt	727
9	Reliance Mobile	717
10	Liril 2000	679

Source: TAM People Meter System
All India CS 4+Yrs GRP normalised to 30 secs
July 2009 To see ad duration, visit www.businesstoday.in

NUMBERS OF NOTE

$1.6

The average net salary per hour of workers in New Delhi as compared to $1.2 in Mumbai, according to a "Prices and Earnings" study by Swiss banking major UBS.

Rs 1 lakh cr

Nationwide power outages cost Indians, enough to put up power plants with a capacity of 25,000 MW, or 20 per cent of the present generation level, according to a survey by Universal Consulting.

#3

PepsiCo Chief Executive Indra Nooyi's ranking in the *Forbes* magazine's annual "World's 100 Most Powerful Women" list. German Chancellor Angela Merkel tops the list, with Congress President Sonia Gandhi and ICICI Bank CEO & MD Chanda Kochhar at 13 and 20, respectively.

Rs 4.5 lakh cr

The amount of money the Government of India proposes to borrow in 2009-10 to support its infrastructure and other developmental projects.

Supawan Teerarat, President, Thailand Covention & Exhibition Bureau

Visit Thailand and Get Paid

It was always a favourite tourist destination for Indians. And now post the ASEAN-India free trade agreement, it promises to be one of the top business destinations, too. Thailand, after years of looking to the West when organising trade fairs and business conferences, now wants to focus on India and China to bring in the moolah. "We made the mistake of wooing only the West. The recession made us realise that India was the land of opportunity," says Supawan Teerarat, President of the government-run Thailand Convention & Exhibition Bureau. "Bilateral trade between the two nations is now worth $5.9 billion, a figure we expect to double by 2011," adds Pravit Sribanditmongkol, Secretary General of the Thailand Exhibition Association.

Thailand is, indeed, pulling out all stops to entice Indian business travellers. "They will be made to feel like royalty. If a chamber of commerce or a travel agency brings 15 or more visitors to any trade fair in Bangkok, we will pay each visitor $100 for the duration of their stay. All of them will also get one night's complimentary stay at any hotel, along with free city tours and shopping vouchers," Supawan says.

- In 2008, over 5.31 lakh Indian tourists landed in Thailand. Only 45,905 of them were business travellers.
- Globally, over 5 lakh business travellers are expected in Thailand in 2009, earning the country revenues of $1.2 billion.
- The average Indian business traveller spends $366 a day in Thailand, three times more than what an Indian tourist spends.
- To get more business from India, Indians attending trade fairs are being offered free stay, city tours and shopping vouchers.

Watch heads turn even before you step out.
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THE FUTURE OF ATMs

Automated Teller Machines will soon become a one-stop solution–helping you pay bills, file IT returns, get instant credit update on cheques and even aid differently-abled citizens with its Braille and voice-activated keyboards.

INSTANT CASH DEPOSIT

Depositing cash in an ATM now means it is credited only on the next working day since the bank has to manually count the amount. Soon, however, ATM machines will verify the amount you feed in and instantly credit it to your account.

INSTANT CHEQUE DEPOSIT

The cheque truncation solution, currently in place in some banks, makes cheque processing faster. Once this is available on an ATM, you can get cheques scanned and the amount credited instantly to the account.

PAY INCOME TAX

The day is not far when you will be able to pay IT returns at an ATM. Corporation Bank has already introduced this initiative. Pick "tax payment" on the main menu and confirm the amount to be paid. It will be directly debited from your account. The ATM will then generate a receipt with your unique ID number.

VOICE-AIDED MACHINES

40,000 ATM machines in India have already been installed with voice-aided services, to help the differently-abled and those who prefer to use technology to speed up things. The RBI wants one-third of all bank offsite ATMs to have this service soon.

PRINT-ON-DEMAND

As all ATMs feature a printer, more "print-on-demand" services might soon become available–from air tickets to travellers cheques and even instant cash cards.

BRAILLE ON KEYBOARDS

Responding to an RBI directive, ATM manufacturers, NCR Corporation and Diebold Systems, have now unveiled ATM machines with a Braille keyboard, to help the visually-challenged.

MORE SECURE TRANSACTIONS

With debit card skimming on the rise, banks are considering biometric authentication as an option. Japan already has palm vein authentication. This technology uses the patterns of the blood vessel in the hand as an identifying factor. Hold your palm a little above the scanner and it will read the unique vein pattern under the skin.

VIRTUAL CASH ON YOUR MOBILE PHONE

Diebold and NCR Corporation are also developing technologies to enable cellphones to transact with an ATM. The technology will enable customers to order cash withdrawals remotely, generate electronic cheques, transmit wireless payments and conduct other transactions securely.

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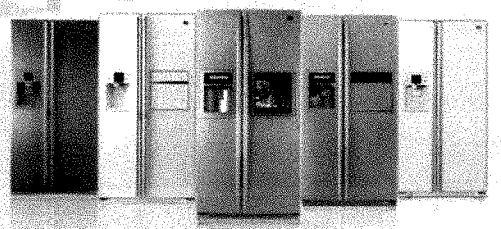
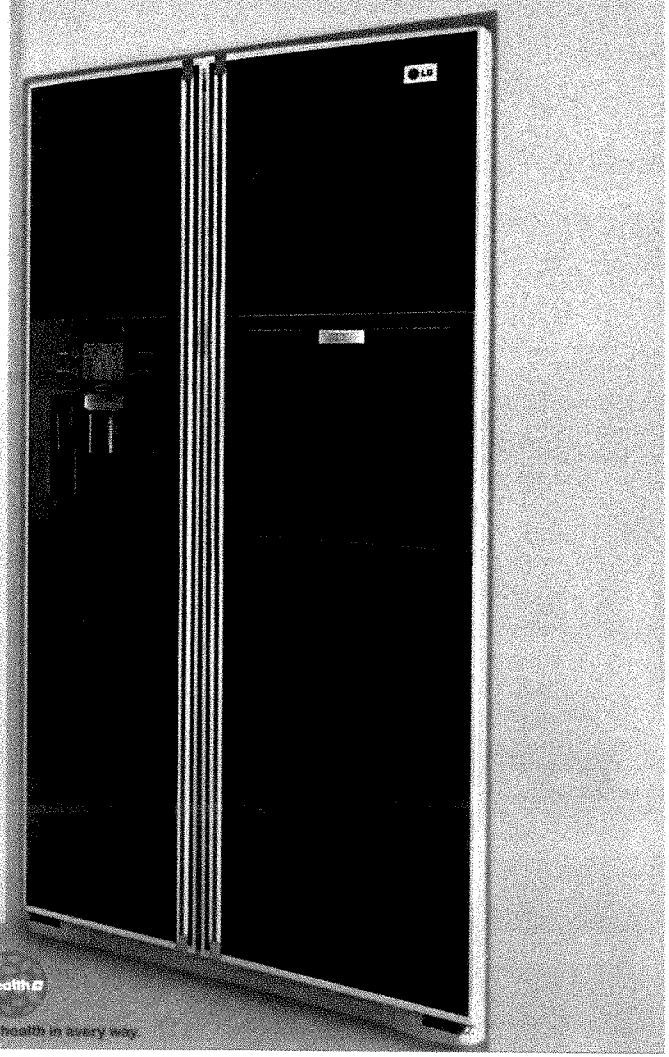


LG GR-G287STW with in-built LCD TV

Winner Premium Lifestyle Refrigerators Category. Survey of 40,000 people by Nielsen.



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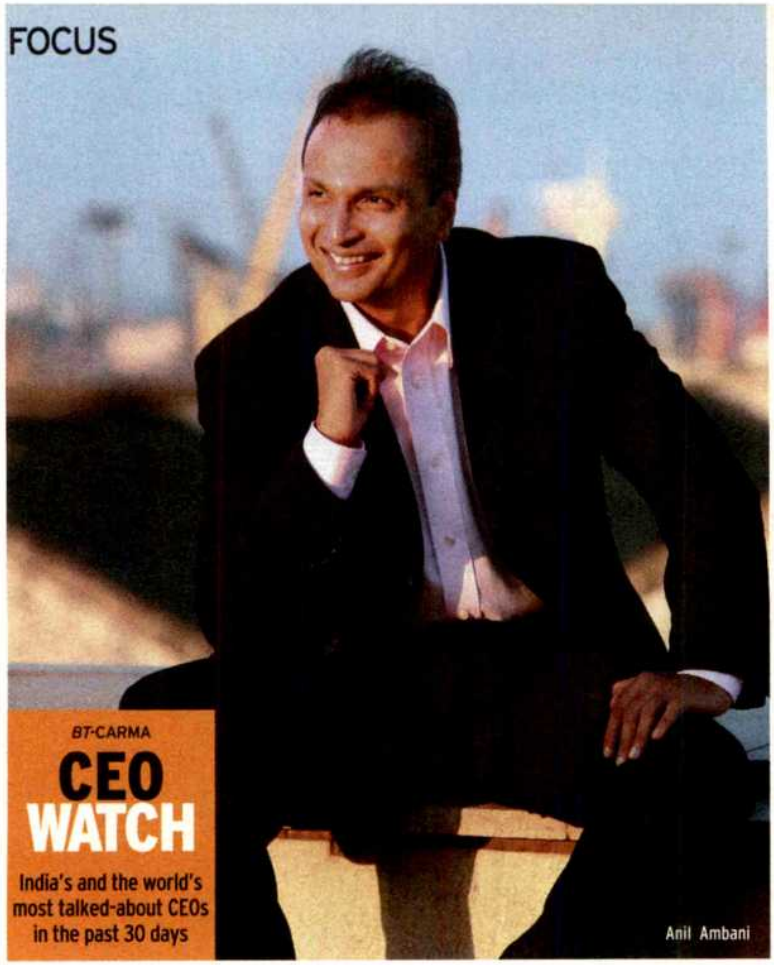
*India's No.1 Refrigerator as per figures released by ORG-GFK April 08-March 09 by Value MS. Features and specifications vary from model to model and are subject to change. E & O.E.

Rediffusion Y&R/Del/LG/REF/34



BT-CARMA

CEO WATCH

India's and the world's most talked-about CEOs in the past 30 days

Anil Ambani

BHASKAR PUAL

One of the unintended benefits of fighting a high pitch, no-holds-barred, out-in-the-open battle is that you get assured media coverage. The leading CEO for the month, **Anil Ambani** of ADA Group, was quoted most over the feud with his brother Mukesh. The younger Ambani persistently used the media platform to "question the Petroleum Ministry's stance in the gas supply deal between NTPC and Reliance Industries".

Top 10 Indian CEOs

A. Ambani/ADAG	50
E. Sreedharan/DMRC	32
V. Mallya/Kingfisher	25
M. Ambani/RIL	23
K. Gopalakrishnan/Infosys	21
A. Jadhav/Air India	20
R. Tata/Tata Group	20
B. Muthuraman/Tata Steel	17
C. Kochhar/ICICI Bank	16
A. Premji/Wipro	15

Figures are no. of appearances

Top 10 Global CEOs

W. Buffett/Berkshire Hathaway	51
F. Henderson/GM	49
W. Wiedeking/Porsche	48
J. Ackermann/Deutsche Bank	45
S. Ballmer/Microsoft	45
C. Bartz/Yahoo!	44
M. Kloppers/Kloppers	42
K.D. Lewis/Bank of America	41
Dr. Karl T. Neumann/Continental	41
R. Murdoch/News Corp.	40

Source: CARMA International

"We're Keen on M&As in the $50-500 mn Range"

Paul A. Hawkinson, *MD of the $8.4-billion BMO Financial Group's investment banking arm BMO Capital Markets, spoke to* **Manu Kaushik** *about developing opportunities between India and N. America. Excerpts:*

What kind of M&A activities are happening in India over the last one year?

The mega deals that we saw over the last 2-3 years have dried up. Post general elections, though, market sentiment is slowly picking up.

What is the average deal size you are looking at?

Presently, the focus is on mid-market deals in the range of $50-500 million. It is important to find synergies between two companies and pricing of the deal.

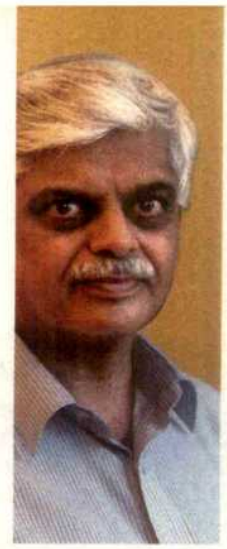
What are the sectors that you are targeting?

We have identified sectors like oil & gas, auto, IT, pharma, food and education. Meeting growing consumers' demand is one of the key challenges for Indian companies.

AMIT KUMAR

SANJAYA BARU
FORMER VISITING PROFESSOR, LEE KUAN YEW SCHOOL OF PUBLIC POLICY

Why India-ASEAN FTA Will Pay Off



The India-ASEAN FTA is not just an ordinary free trade agreement. It is a key that will open the door to wider strategic engagement with the region, facilitating India's participation in efforts to build an "Asian Economic Community".

Close to 17 years after former Prime Minister P.V. Narasimha Rao launched India's "Look East" policy, reviving a civilisational relationship with Asia to our East, India has finally put its money where its mouth is and has signed the free trade agreement (FTA) with the Association of South-East Asian Nations (ASEAN).

The India-ASEAN FTA is not just an ordinary free trade agreement. It is a key that will open the door to wider strategic engagement with the region, facilitating India's participation in efforts to build an "Asian Economic Community".

This 'strategic' aspect of the FTA was laid out very clearly by none other than Prime Minister Manmohan Singh in a letter he wrote to his Party President and the Chairperson of the United Progressive Alliance, Sonia Gandhi, as early as in April 2006. The Prime Minister was defending the FTA against criticism from within his own party. The fear was that it would hurt the interests of Kerala's plantation sector. Concern was also expressed by some politicians with interests in oilseeds and by representatives of some sections of Indian industry.

RAMEN SARKAR

Defending his initiative, Manmohan Singh wrote to Sonia Gandhi: "Our approach to regional trade agreements, in general, and FTAs, in particular, has been evolved after careful consideration of our geo-political as well as economic interests. Although India has a large domestic market, our experience with earlier relatively insular policies, as also the global experience in this regard, clearly bring out the growth potential of trade and economic cooperation with the global economy."

The reference to the geo-political angle was not lost on strategic analysts around Asia. China's growing engagement with the region, its increasing economic weight and influence, was certainly one driver. The other being the fact that India seeks to benefit from the rise of Asia and be part of this new engine of global growth.

In spite of such compelling economic and strategic gains from the FTA, opposition from vested interests in the plantation and manufacturing sectors has been voiced time and again. On one such occasion, Kerala Chief Minister V.S. Achutanandan led a delegation to the Prime Minister to protest against the threat of cheap import of coffee and pepper under the proposed FTA. It is ironic that Kerala's long-standing plantation economy feels threatened by imports from Johnny-come-lately commodity exporters like Vietnam. A wider concern has been about China using the ASEAN route to dump low-cost manufactured products in the Indian market. But rules of origin clauses in the agreement seek to prevent this. In any case, Indian manufacturing has to learn to compete with ASEAN. Interestingly, many ASEAN countries are equally worried about the coming threat of competition from India. Part of the reason for the delay in completing the agreement was on account of such fears within ASEAN.

How the FTA will in fact impact producers in India and the ASEAN region will be seen in years to come. But the signing of this treaty marks a turning point in India's relationship with the region. It is time "Look East" graduated from policy to practice. That is what the FTA seeks to do. ⊙

SAMIR R. GANDHI/ RAHUL RAI
PARTNER/ ASSOCIATE, ECONOMIC LAWS PRACTICE, NEW DELHI

Lessons From Intel's $1.45 Billion Fine

There is a fine line between using discounts to promote sales and misusing such schemes to keep out competitors.

A few months ago, computer chip giant Intel was slapped with a record fine of $1.45 billion by the European Commission (EC) in an anti-trust investigation. The verdict followed an eight-year enquiry into Intel's business practice of giving its distributors and computer manufacturers certain rebates and discounts, which was deemed as anti-competition. The decision has not only dented Intel's bottom line, but its effect is likely to be felt in India too, where the Competition Commission has recently been empowered to probe allegations of anti-competition practices against the dominant firms. Will the commission adopt a similar tough line on rebates and discounts offered by large companies to their distributors, or are we likely to see a more lenient stand?

RAMEN SARKAR

To most Indian businesses that are used to being regulated by the antiquated Monopolies and Restrictive Trade Practices (MRTP) Act, the answer may seem fairly obvious. To the extent that such discounts are not "restrictive trade practices" and genuinely benefit the ultimate consumer, there is no reason why those should not be offered. For consumers, too, discounted prices can only make for better bargains. Producers, too, benefit from greater sales. However, modern competition law comes in where large manufacturers with a dominant market share may misuse such discounts to corner the market for their product and to eliminate competition, ultimately harming the consumer. This constitutes an "abuse of dominant position" and is the reason why Intel's discounts came under fire: the EC found that Intel was using its discount and rebate schemes to eliminate competition from smaller chip manufacturers such as AMD by ensuring that all major computer manufacturers and retailers carried only "Intel inside"!

Does this mean that with the enforcement of the Competition Act, Indian industry can expect greater scrutiny from the Competition Commission of the way it uses its discount and rebate schemes? Well yes, industry can expect a shift in regulatory focus from the command and control days of the MRTP to a modern-day competition law that mirrors principles found in similar laws across the globe. This means that Indian companies which dominate certain market segments may need to re-look at the ways in which their discount schemes are designed to ensure that they do not have an adverse effect on competitive conditions in the market. There is a fine line between using discounts to promote sales and misusing such schemes to keep out competitors. The EC itself clarified that its decision in the Intel case should not be read as limiting a firm's right to offer discounts; instead the case is about the conditions associated with Intel's rebates and payments and not the rebates and payments themselves.

Ultimately, the Competition Commission of India will investigate the facts in each case and decide whether the discount offered by a dominant enterprise is an "unfair or discriminatory price condition" by balancing the pro- and anti-competition effects of such a scheme. Consumers will also benefit from this in the long run, since a more competitive marketplace is also one with more choices and better products. ⊙

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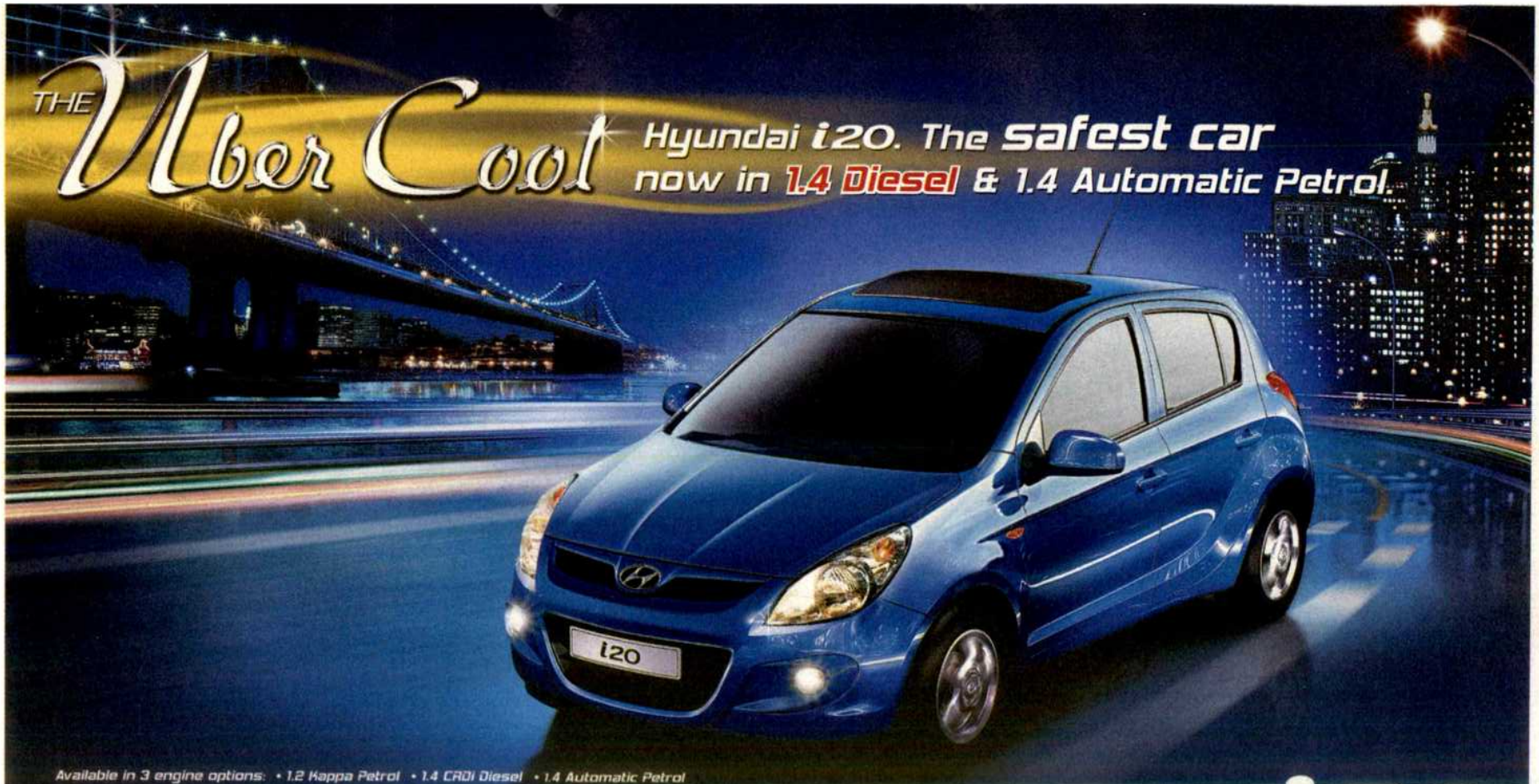

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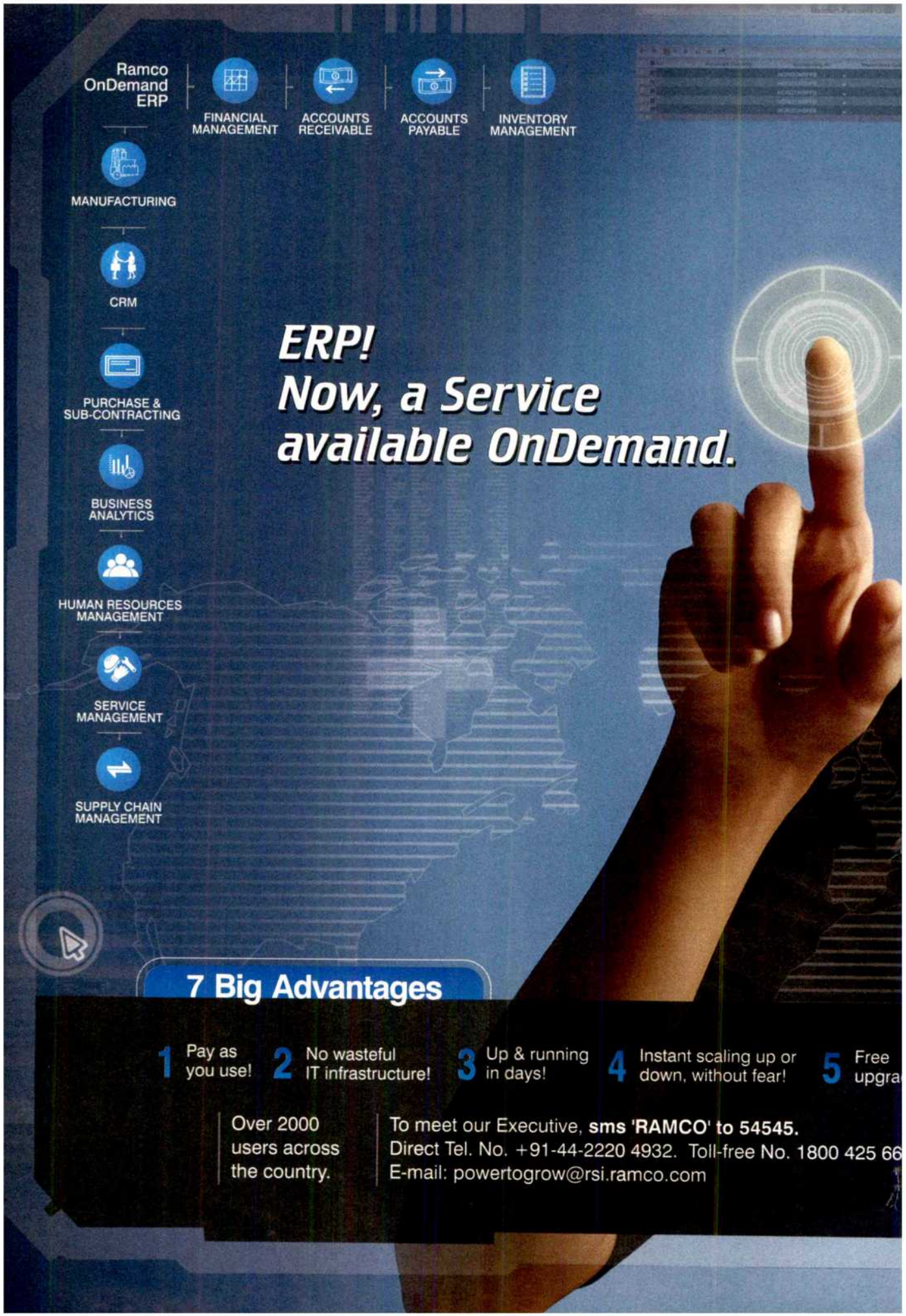
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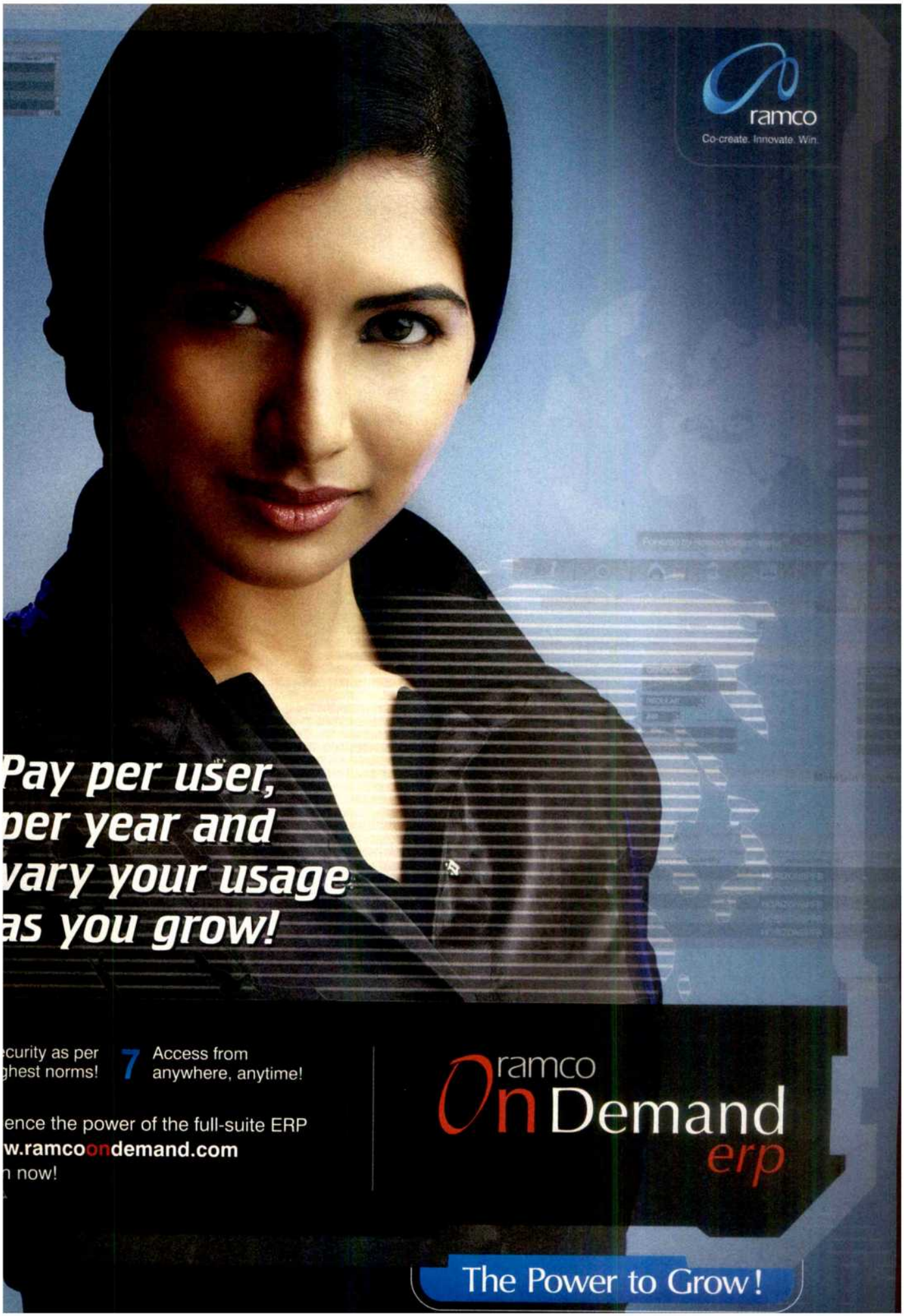
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Nominations/Applications for DEAN, School of Business Management

NMIMS University, School of Business Management (erstwhile Narsee Monjee Institute of Management Studies (NMIMS) one of India's top 10 Business Schools with a rich culture of innovation, entrepreneurship and consensus building, is looking for an outstanding academician/professional leader to head it as Dean.

The Business School, besides offering its MBA Programmes on a fulltime basis, offers Executive Education and training programmes of long and short duration. It also offers a Ph.D. programme. The School has a strong contingent of 56 Fulltime Faculty and about 250 Visiting Faculty. The Business School has earned several awards from professional bodies like Bombay Management Association (BMA), Institute of Management Consultants of India (IMCI), Association of Indian Management Schools (AIMS), Association of Management Development Institutions in South Asia (AMDISA) and Institute of Directors (IOD). Its leaders and faculty members have been and continue to be on the Board of several professional bodies and companies. It has had an excellent placement track record since 1983 when its first batch graduated.

The Dean is the academic and administrative head of the School of Business Management reporting to the Vice Chancellor.

Besides having a Masters and Ph. D. degree from leading institutions like IIMs, FMS (Delhi University) or Delhi School of Economics or International Universities, she/he must also have proven leadership skills, should be visionary, a team player and a team leader. She/he should have been at a Professor level for at least last 10 years. Those coming from industry must have the above mentioned qualifications and in addition, must have been at the Director/CEO level in one of the leading public listed companies for the last 10 years. She/he should be recognized as a "thought leader" and "institutional builder" by her/his peers. Ideal age would be 45 to 50 years.

The Dean's appointment is on a contract for a term of 5 years.

Salary and other benefits will not be a constraining factor for the right candidate.

Interested candidates may send their letter of interest along with their C.V. to **Dr. Rajan Saxena,** Vice Chancellor on his email **rajan.saxena@nmims.edu** or **vc@nmims.edu.** Those who wish to speak to him, may do so by calling him direct on **022-66716279** (9.30 a.m. to 1.00 p.m.)

Please send your resume or nominations by September 15, 2009

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Pg 40 The Advent of Edupreneurs

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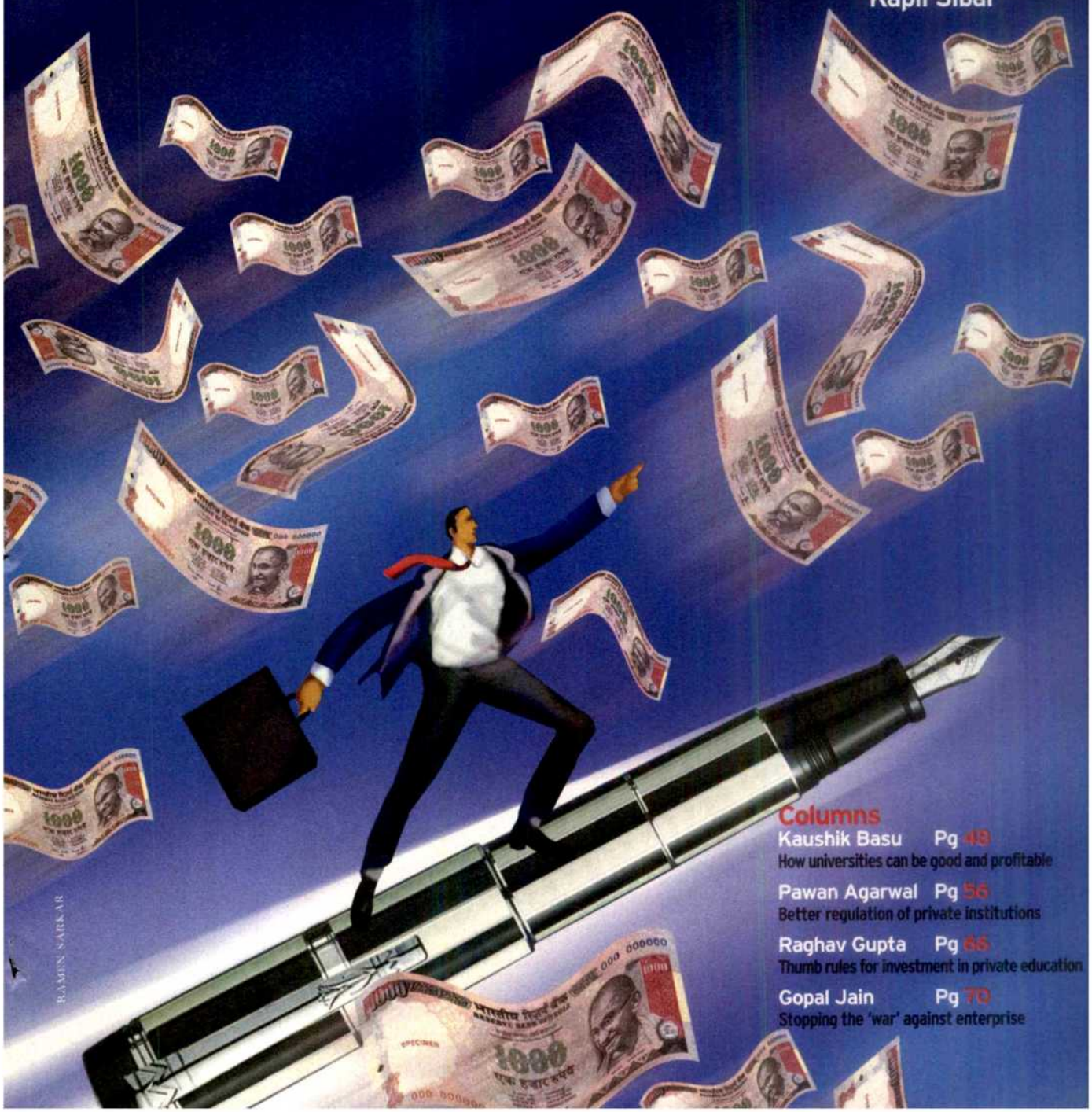


RAMIN SARKAR

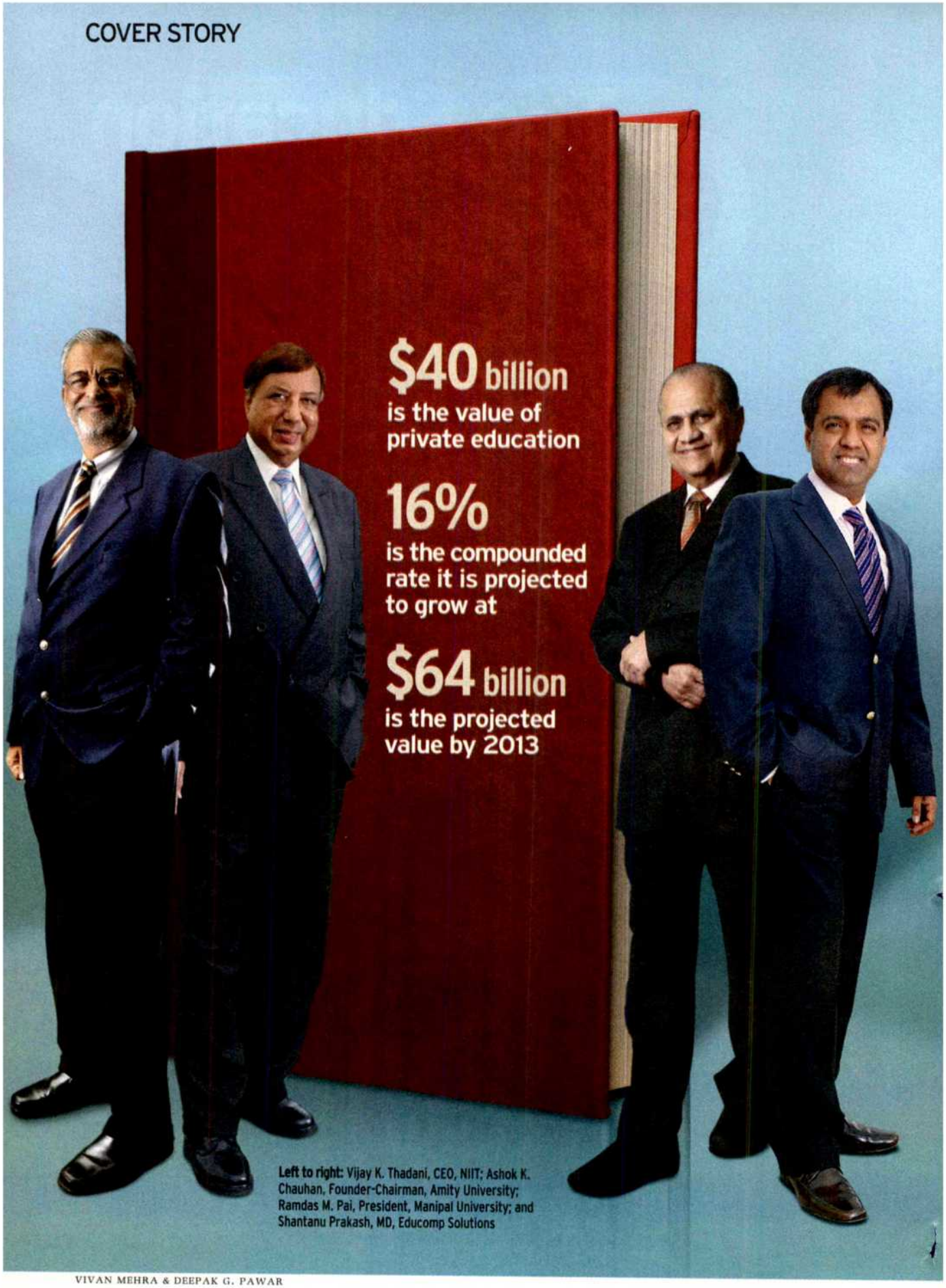
Columns

Kaushik Basu Pg 48
How universities can be good and profitable

Pawan Agarwal Pg 56
Better regulation of private institutions

Raghav Gupta Pg 66
Thumb rules for investment in private education

Gopal Jain Pg 70
Stopping the 'war' against enterprise



Left to right: Vijay K. Thadani, CEO, NIIT; Ashok K. Chauhan, Founder-Chairman, Amity University; Ramdas M. Pai, President, Manipal University; and Shantanu Prakash, MD, Educomp Solutions

VIVAN MEHRA & DEEPAK G. PAWAR

The Advent of Edupreneurs

The P-word often rises unbidden in the hallowed halls of education. But now many are beginning to shed their inhibitions about it. SHAMNI PANDE

They shun the word—fearing it like "he-who-must-not-be-named," the Dark Lord Voldemort, whose presence permeates every Harry Potter book. Like "you-know-who," profit—its motive and existence—is seldom uttered by those who own and operate the educational institutions. "Surplus", yes. But the laws governing core education simply do not allow or recognise the term profit.

Paradoxically, the government wants to involve entrepreneurs only if they agree to leave the term outside the door. Yet, just look at the tycoons that education has created in the private sector. An exclusive Technopak study for *Business Today* suggests that the Manipal Academy for Higher Education rakes in revenues of Rs 814 crore, Amity Rs 600 crore, the Delhi Public School Society Rs 400 crore and Indian Institute of Planning & Management Rs 200 crore. Of course, none of them would be caught dead uttering the word profit.

The K-12 (KG to Class XII) and higher education sectors are governed by Byzantine laws, with only registered, not-for-profit trusts or societies allowed to own and run institutions. In the mix, entrepreneurs have been, well, enterprising! For instance, GEMS Education has a transparent three-company set up, where one company owns the trusts, another owns the properties on which the schools sit and a third offers the school management, educational aids, etc.

"We have three business models in India of which one is where we run our own schools. In this, our unit that has set up the trust is in charge of the school and this hires the land and the management skills and education aids from our other two companies," says Ajey Kumar, Country Head, GEMS Education.

Indeed, earlier this year, the government conferred the nation's highest civilian honour, the Padma Shri, on Sunny Varkey, Founder & Chairman of GEMS Education, in recognition of his "outstanding contribution to education and social service". Even as the government gets lost in doublespeak, those in the business have spread across sectors and opened up new frontiers: an IT training shop plans a university, a higher education specialist is getting into K-12.

One authority figure, though, has called a spade a spade. "We should allow private sector money to come into higher education. Surreptitious privatisation is already a fact of life. It will be better to let this happen openly; there can then also be open monitoring," writes Kaushik Basu, Professor of Economics, Cornell University and a member of the Yash Pal Committee on reforming higher education in India. But that was in his dissent note! (See pgs 48 and 70)

In the following pages, *Business Today* attempts to present a comprehensive package, including reports, exclusive columns and an interview with HRD Minister Kapil Sibal. We look at various business models, the regulatory complexities and business dynamics governing each segment across the education spectrum ranging from K-12 to higher education and vocational education. A caveat: BT doesn't endorse any of the institutions—or their promoters—profiled. Our attempt is to highlight the entrepreneurial successes, activities and the sheer value being unlocked—even though few in the government are in a mood to acknowledge it. ⊙

THE OPPORTUNITIES

SCHOOLING	HIGHER EDUCATION	VOCATIONAL & TRAINING	ANCILLARY SEGMENTS
▸Pre-schools	▸Test Preparation	▸Child Skill Devt	▸Database Management
▸K-12 Schools	▸Graduation	▸E-Learning	▸Enrollment Management
▸Tutoring	▸Post Graduation	▸Finishing School	▸Admissions Outsourcing
▸Books		▸Vocational & IT Training	
▸CD-ROMS		▸Teacher Training	
▸Stationery			

Source: Technopak

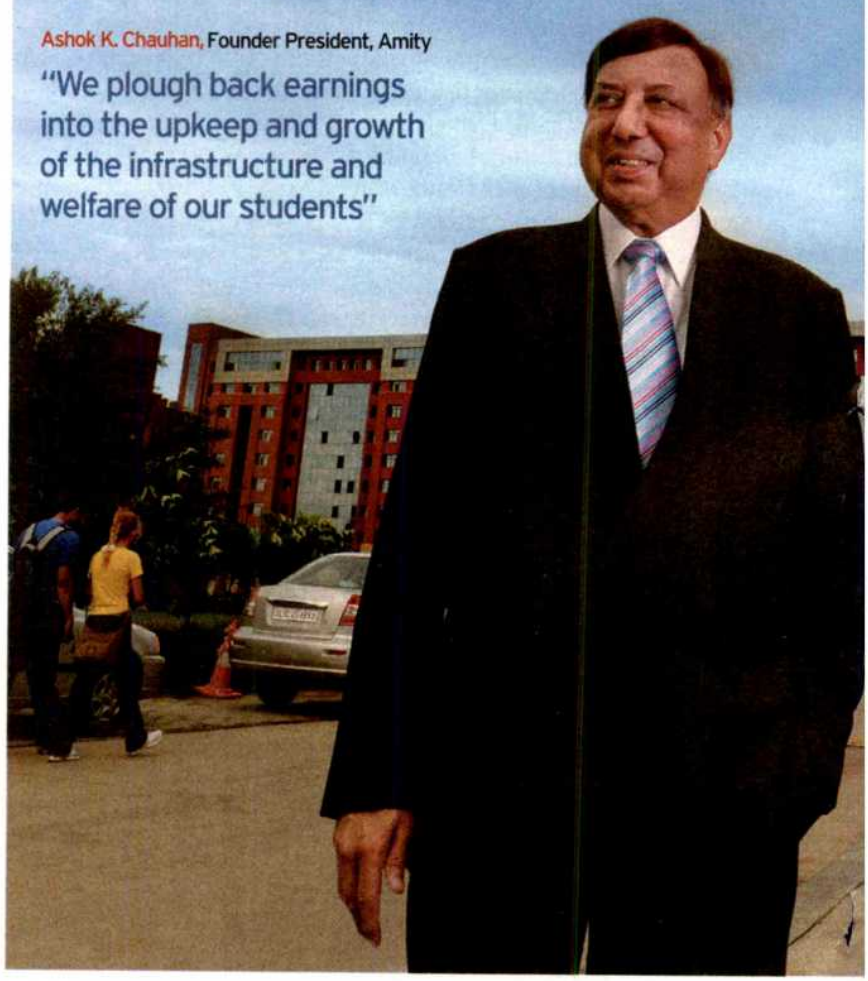
The Toppers List

These are the poster boys of private enterprise in higher education. And even in the densely regulated segment, there are interesting business models that are paying off. SHAMNI PANDE

Going, going, gone: The days of distinguished greyheads as chancellors and deans, with scholarly tomes to their credit, appearing far-removed from monetary concerns. As the private sector and big bucks crowd the higher education sector, your typical dean today could be a guy in an Armani suit, who looks more like a gym-frequenting investment banker than an austere educationist.

And if you thought a university campus means grey buildings, unkempt gardens and stuffy canteens with raucous students ganging up over cups of tea and *pakoras*, check out the 60-acre sprawl of Amity University at Noida on the border of Delhi. High security gates open into a world of shopping malls (okay, there's just one) with cafés, bookstores and a L'Oreal saloon, and high-end sports facilities. Oh, nearly forgot to mention the superbly laid-out lecture rooms.

Keeping a watchful eye over all this are uniformed private guards with German Shepherds on leashes. And at the core, presiding over an empire said to be worth Rs 600 crore, is Ashok K. Chauhan, Founder



Ashok K. Chauhan, Founder President, Amity

"We plough back earnings into the upkeep and growth of the infrastructure and welfare of our students"

VIVAN MEHRA

Giant Strides
Amity University

ESTABLISHED: In 1991

STARTED AS: A school (Amity School) in Saket, Delhi

REVENUE: Rs 600 crore

FOOTPRINT: Noida, Lucknow, Jaipur, Chandigarh, Pune, Mumbai, Hyderabad, Chennai, Bangalore, Kolkata, London and Singapore

FEE: Rs 2.4 lakh to Rs 10 lakh (for full-time programmes)

EXPANSION PLANS: To be present in all Indian states

STUDENT STRENGTH: 60,000

STUDENT-TEACHER RATIO: 15:1

President, Amity, who runs this as a "philanthropic venture". "We are dependent on bank loans and plough back earnings into the upkeep and growth of the infrastructure and welfare of our students," he says.

Down south is 69-year-old G. Viswanathan, Chancellor, VIT University, who is changing tack to keep pace with the times. His campus has over 1,000 international students. "We have even set up a special Chinese kitchen with a Chinese chef and ingredients imported from China," he says.

Welcome to the Great Indian Education Show, featuring the country's transformation from the no-frills world of *gurukuls* to that of air-conditioned campuses ruled by the new-age tycoons. Forget what education should look like or who is providing it. Focus on the menu.

In a candid chat, Ashok Mittal, Chancellor, Lovely Professional University (more of the name later), which was granted university status by the Punjab government in 2005, recalls the bias he had to deal with. "When our case to get university status was being debated in the Punjab Assembly, a member actually commented that if sweetmakers began setting up universities, who will make the sweets?" Mittal, who belongs to the family that runs the famous Lovely Sweets House in Jalandhar and also has auto dealerships, is not offended: "If that were the case, no one can progress. Can only an IAS officer's son be an IAS?" he asks.

From Mittal's roots arise the tale behind that Lovely name for his university. "We registered first in 1999 under the banner of International Institute of Management. But our advertisements in the papers led to a poor response. A month down the line, in our ads, we mentioned that the institute was promoted by Lovely Group of Companies. Within three hours, our seats were full. People in Phagwara and Jalandhar know us and trust our name. So, we re-registered as LPU," he says.

And surely, time has afforded an opportunity to Mittal to answer his critics. "Earlier, we were affiliated to Guru Nanak Dev University, Amritsar and for our law courses, we would get only the second-rung students after the university got to take the first best 200 students. This year, the last batch of students, who are passing out from our law colleges under the old affiliation system, have outperformed the Guru Nanak Dev students," he says. His students have walked away with the gold, silver and bronze trophies for achievement. "We got the second-best (students), but they outperformed the achievers. This is thanks to our investment in faculty and the facilities that we offer," he says.

Control Mindset

Among the many areas of debate around education reform is the question of mindset. As Kaushik Basu noted in his dissent note to the Yash Pal Committee's recommendations on reforming higher education in India: "Our main aim must be to nurture excellence instead of spending a disproportionate amount of energy trying to curb the lack of it."

Basu, who is Professor of Economics at Cornell University, points out that the US has arguably the world's greatest universities, but also many sub-par ones. "The existence of the latter does not harm the reputation of the US as a nation of academic excellence. If there was a perfect way for the state to efficiently weed out the bad, I would be for it. But as we learnt from our experience with industrial licensing, often the effort to weed out the bad by using bureaucratic control can do more harm than good," Basu has written.

The current regulatory system surrounding higher education is hugely flawed. Not only does it make entry prohibitive, it also thwarts

HIGHER EDUCATION

MARKET SIZE

Private Professional College	$7 billion
Engineering	$5.85 billion
Medical	$473 million
MBA	$731 million

REGULATION

- The central government has exclusive legislative powers for coordinating and determining standards in institutions.
- Apex bodies such as the University Grants Commission (UGC), the Medical Council of India and others determine standards of education.
- These are indirectly controlled by the Ministry of Higher Education and funded by the state governments.
- State governments are responsible for the establishment of state universities and colleges and have the power to approve the establishment of private universities through State Acts.

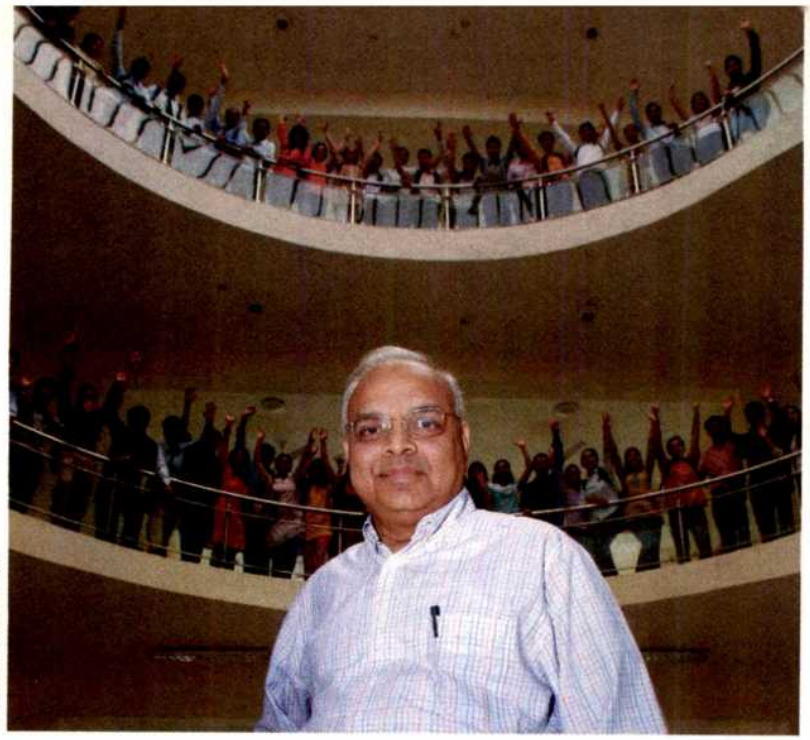
OPPORTUNITIES

- According to the National Knowledge Commission, there's a requirement for at least 1,500 universities.
- Indians spend $4 billion a year on higher education abroad.
- This represents a possible market if good quality institutes are set up in India.

RECENT DEVELOPMENTS

- NIIT, HCL and Career Launcher plan to start universities.
- RIL, Vedanta, Ashoka Buildcon, too, have proposed universities.
- Govt likely to scrap 'deemed' university and grant regular university status.
- Entry of foreign universities in India to be eased.

Source: Technopak, CLSA, FICCI Report



A.PRABHAKAR RAO

N.J. Yasaswy, Founder member, ICFAI

"We have a strong placement team that is now reaching out individually to companies"

High Fliers
ICFAI

ESTABLISHED: In 1984

STARTED AS: Institute of Chartered Financial Analysts of India with 700 distance education students

REVENUE: Rs 700 crore (estimated)

FOOTPRINT: Spread across the country. For B-school has 16 campuses

FEE: Varies depending on the course. It offers MBA, BTech, Law and CFA programmes. For B-school, it's 6 lakh to Rs 9.5 lakh

EXPANSION PLANS: To open seven more private universities in the next three years

STUDENT STRENGTH: On-campus around 7,000 and a further 5,000 each year for distance education programme

STUDENT-TEACHER RATIO: 20:1

excellence. A FICCI report notes that universities are turning into exam-conducting bodies, content with collecting fees from colleges that are affiliated with it. The deemed university system has also spluttered, affecting players and students alike.

ICFAI was seeking a deemed university status in Andhra Pradesh, but it was granted only for its MBA programme and not for its BTech programme. Result: It had to shut down it BTech college in Hyderabad and Bangalore and students had to shift to Dehradun or Tripura where it has the university status. N.J. Yasaswy, Founder member, ICFAI, sees no wrong motive on the part of the institution, but apparently a victim of the regulatory environment. To what extent ICFAI is effective in addressing concerns remains to be seen. "We have a strong placement team that is now reaching out individually to companies," he says.

In 2005, the government had another go at addressing the problems of the crumbling education system. PM Manmohan Singh pushed for a second wave of institution building and excellence in education, research and capability building. The result was the National Knowledge Commission, which then came up with the startling finding that philanthrophic contributions in higher education have fallen from more than 12 per cent of the total expenditure on the system in 1950 to less than 3 per cent in the '90s. And why has this happened? Someone had decided that if a university finds a donor, it should be penalised through a matching cut in the

Steady Growth
VIT University

ESTABLISHED: In 1984

STARTED AS: A self-financing engineering and science college through a trust

REVENUE: Rs 500 crore (estimated)

FOOTPRINT: Vellore

FEE: Rs 30,000-1.55 lakh (excluding hostel fees)

EXPANSION PLANS: To open a university in Chennai

STUDENT STRENGTH: 15,000

STUDENT-TEACHER RATIO: 17:1

H.K. RAJASHEKAR

G. Viswanathan, Chancellor, VIT University

"We have even set up a special Chinese kitchen with a Chinese Chef and ingredients imported from China"

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Deputy Chief Executive, FTSE Group

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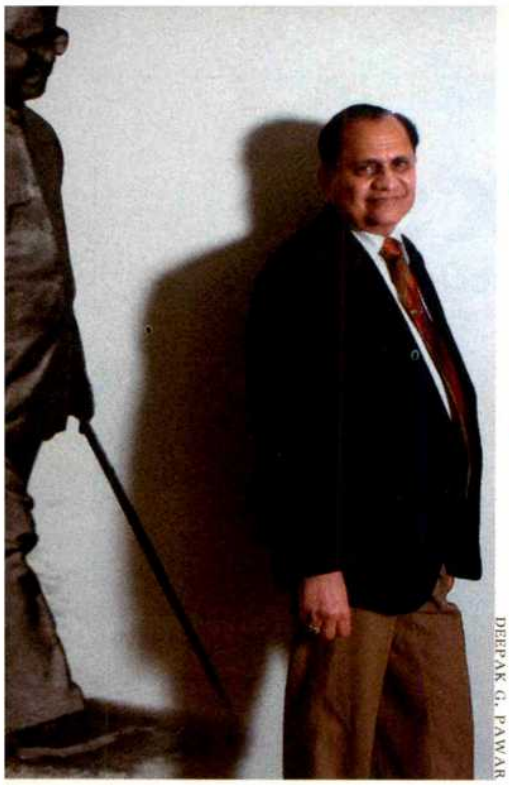
THE DIFFERENCE IS, RESEARCH.



DEEPAK G. PAWAR

Global Dreams
Manipal University

ESTABLISHED: In 1953

STARTED AS: Kasturba Medical College, Manipal

REVENUE: Rs 800 crore*

FOOTPRINT: India, Nepal, Malaysia, Dubai and Antigua

FEE: Rs 2.5 lakh for MBA, Rs 1.7 lakh for Hospitality Management and Rs 1.65 lakh for Architecture

EXPANSION PLANS: India and developing countries

STUDENT STRENGTH: 18,000+

STUDENT-TEACHER RATIO: 8:1

*Manipal Universal Learning

Ramdas M. Pai, Chancellor, Manipal Education

"On paper, there is regulation. But in implementation, it's corruption that rules. Good institutions are suffering"

grant in aid from the government.

The redoubtable Ramdas M. Pai, Chairman, Manipal Education and Medical Group, and President & Chancellor, Manipal University, says the current maze of regulations helps only the dubious players. "On paper, there is regulation. But in implementation, it's corruption that rules. As a result, good institutions like ours are suffering. What we need are transparent regulations," he says.

Some reputable colleges have even decided to ignore the paperwork and focus on offering the best education. For example, SRM does not have the much-sought after and required stamp of the All India Council of Technical Education for its engineering college.

T.R. Pachamuthu, Founder Chancellor, SRM, claims that his infrastructure and faculty are big draws for students. "Once we are a university, we should be trusted by the government bodies, instead of having to waste our time hosting committees. Parents and students know of our placement opportunities," he says.

Sitting at the sprawling Symbiosis campus at Pune's Senapati Bapat Road, S.B. Majumdar, President and Founder Director, Symbiosis, says: "US President Barack Obama has proposed a $12-billion investment over the next decade in community colleges. India has just made a beginning. We want to be a major player in empowering rural youths." This is just a small area that is currently top of his mind even as he manages 34 institutes with over 45,000 students from about 60 countries.

So, where is the money to sustain the growth plans? Narayanan Ramaswamy, Executive Director and Head (Education Advisory), KPMG, feels that despite the stringent regulations surrounding higher education, there are many legitimate ways to profit from it. "Fact is that close to 75 per cent of the colleges are privately run (self-financing, etc.) and they make money through peripheral services such as canteen, sports facilities, convention centres and the like." Here the college either outsources these to a contractor for a fee, or charges for providing these services. They also earn extra by letting out their facilities or stadium land.

It is not uncommon to also find players benefiting from within their education model through various ways. Some institutions take pains to recruit top-notch faculty and encourage their staff to be involved with research and consultancy work.

"We have already filed for 121 patents in different areas," says Chauhan. The twining arrangements of colleges with foreign universities help these institutions earn a fee that does not come under the ambit of any regulation here. So, it's not surprising to see the rush towards collaborations.

The Future?

The race to set up better, bigger colleges is also putting competitive pressure on private colleges, just as education experts feel it should, and create a more efficient system. "Today, it is a buyers' market. This year, 30,000 seats are vacant with 20,000 in management quota (in colleges affiliated to Anna University in Tamil Nadu). We can, therefore, only charge a reasonable fee as we have to actively market our facilities," says Pachamuthu.

After all, engineering colleges are coming up in other parts of the country and why would a student come down south unless there is a very strong USP? Point. Look at how Andhra Pradesh, which has the highest number of engineering colleges in the south, is countering the problem of excess capacity: "We are advising the universities to start more MTech and PhD programmes," says K.C. Reddy, Chairman, Andhra Pradesh State Council for Higher Education.

Competition, it appears, then can be the only true leveller. ⊙

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Profit Can Coexist With Quality

Most people worry about quality control in higher education, and rightly so, since there is not much to education without quality. Our policy response to this, however, has been quite misguided. We have set up a system of tight controls, with formidable entry-barriers and a plethora of rules about not just education, but the fees that students must pay and the salaries that professors must get. The casualty of this 'licensing system' has been exactly what these bureaucratic rules were supposed to promote—quality.

Till a few decades ago, India stood out among developing countries, and even among many industrialised nations, for its fine higher education and academic excellence. That's no longer the case. Indian universities are now almost extinct from international lists of the world's top educational institutes, whereas newcomers like China and Malaysia have made steady inroads.

This is unfortunate since India has three advantages. Its reputation in science and technology, despite the recent decline, is high. It also has English language proficiency. Finally, the cost of living in India is low, approximately one-fifth of industrialised nations.

Given these conditions, if the government can effect some organisational and regulatory changes, I believe India's higher education can become as successful as its information technology industry. It can be a source of huge amounts of revenue flowing into the country, with students coming from around the world, including rich countries. This revenue should also help us raise our own gross enrollment ratio, which currently stands at a paltry 11 per cent. This, in turn, can boost human capital and creativity, raise the nation's growth rate, and cut down poverty.

To effect such changes, we have to realise that doing something for profit does not mean not doing it for quality. Infosys is a company that tries to make large profits, but it is also a company that provides top-quality information technology. Hence, there is no harm in letting the private sector into the field of education. For that to happen we have to fold back our bureaucratic tendency to set prior rules about everything. With such over-regulation, we will only have shady organisations, which are willing to make underhand dealings, come into education. This is happening now.

If, instead, we set a few essential rules, insist on transparency of fees and salaries (but not try to fix them), top-quality private corporations will come into education. It is true that the private sector will be unlikely to offer education in cutting-edge mathematics, physics, theoretical economics, literature and philosophy—subjects that are essential for a nation's development, but not commercially viable. However, by taking the load off the government's shoulder, it will make it possible for the later to use its limited resources more effectively. One advantage India has over many other nations is its tolerance of diverse opinions. My hope is that, now that the reorganisation of higher education is a matter of public discussion, within the next four or five years we shall see major changes and a take-off in this vital sector. ⊙

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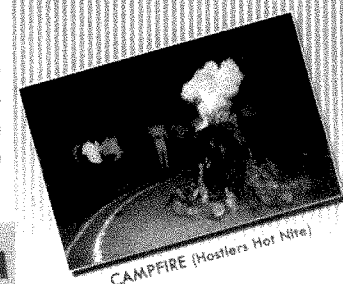
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Stepping Up Despite Regulation

Investors work around regulatory controls to manage and take over private schools for long-term returns. K.R. BALASUBRAMANYAM

On the face of it private participation in schools, or K-12 in shorthand, would seem to be unrewarding as it is one sector of education where profit is a strict no-no. This is so given the morass of central laws, state laws, commission reports, high court judgments, Supreme Court pronouncements—and the layers of interpretations. Any auditor looking for a profit figure in this maze could go crazy.

But paradoxically, it is this morass that is becoming the most fertile ground for the seeds of private par-

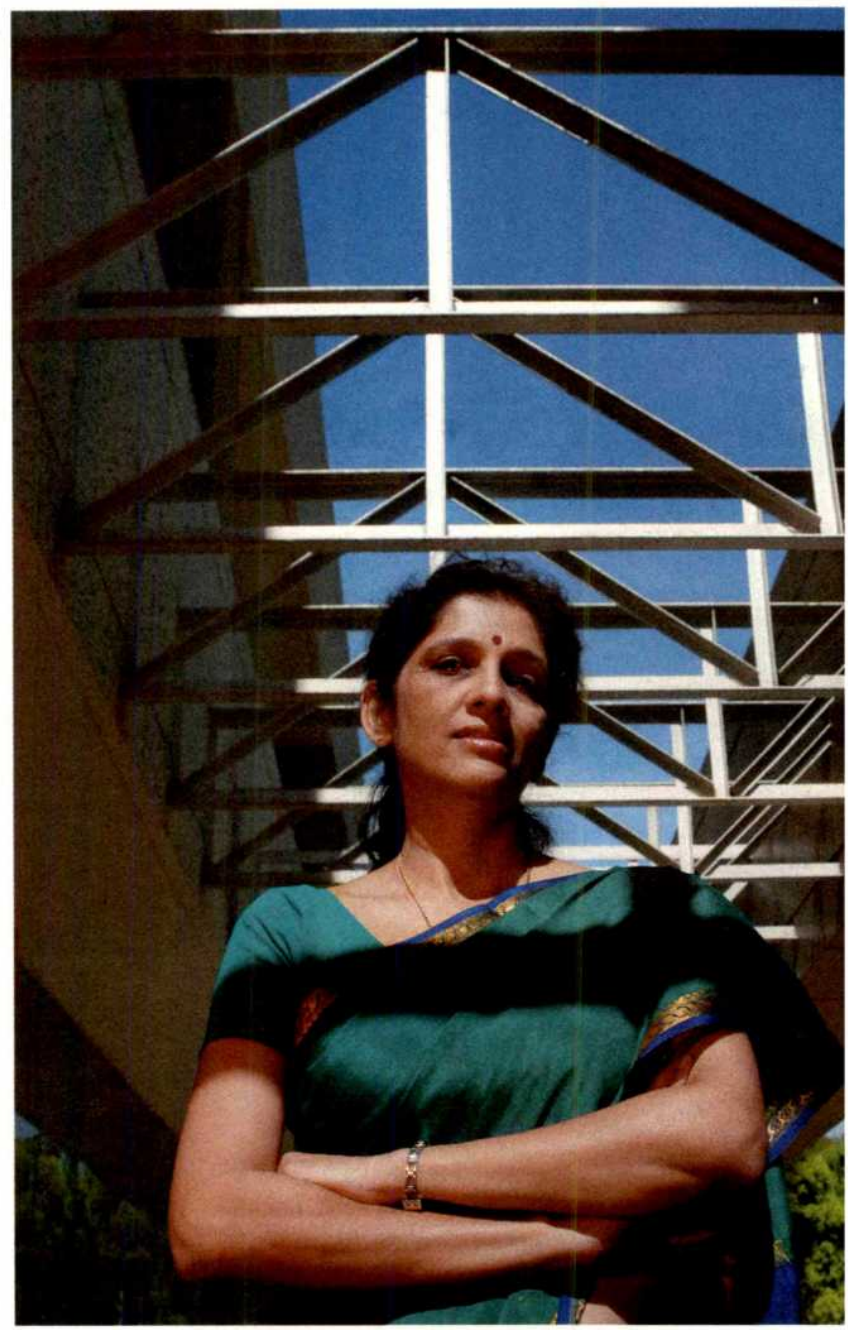
Taking Wing

Manipal K-12 India (P) Ltd.

ESTABLISHED: 2000 (as Edurite Technologies)
STARTED AS: A firm selling content to schools
ACQUIRED: 2007, by TutorVista Global
SCHOOLS TAKEN OVER: 5
STUDENT STRENGTH: 3,000
INITIAL INVESTMENT: Not Available
REVENUE: Not Disclosed
FOOTPRINT: India, Nepal
EXPANSION PLANS: Open 100 schools across India and six International schools in the next few years

Meena Ganesh, CEO, Manipal K-12

"I'm expecting our business to grow 10 times year-on-year by March next"



GIREESH G.V.

ticipation, with explosive growth rates, as new entrepreneurs enter and established players expand.

Meet Meena Ganesh, 46, IIM-Calcutta alumni, former Microsoft employee and an entrepreneur. Meena had just done a stint at UK retail major Tesco, building its IT services and BPO arm in India from scratch, when an entrepreneurial opportunity came calling in 2008. TutorVista, the online tutoring firm set up by her husband K. Ganesh (48), had just bought out Bangalore-based Edurite Technologies. Meena picked up a stake in her husband's venture and joined Edurite as its MD & CEO in September 2008. Manipal Education, which had a stake in TutorVista, lent its name and Edurite was reborn as Manipal K-12.

Meena added regular tutorials and school management to Edurite's business profile, and set up 30 tutorials. Upgrading the content business to offer digital learning support solutions to schools brought explosive growth: revenues were up seven times in the year to March 2008 over the previous year.

"I am expecting our business to grow 10 times year-on-year by March next," she says. She has just snapped up Tandem—a tutorial chain of 39 centres in Kerala.

Six months ago, Manipal K-12 broke new ground by taking over Sharada School, Mysore. "We offer two choices to managements of schools that fit our business model. They can either pay us to manage their schools professionally or transfer management responsibilities," says Ganesh. The firm has also taken over four schools in Nepal recently. She plans to manage 100 K-12 schools and set up six International schools in the next five years.

Growing revenues ten times? Acquisitions? And not for profit?

With the increased demand for private sector education, a new wave of entrepreneurs like Meena Ganesh and Manipal K-12 are on a growth spree, backed by big-time funding and eyeing cash flows from value-additions and services.

"When we enter a school, we change the whole professional atmosphere. We elevate the school to its next level," she says. From investors perspective too, school management presents a fertile area of business unhindered by regulatory oversight—while the trusts that own schools are regulated, the third-party management is not.

The K-12 (Kindergarten to Class 12) is estimated to be worth half the $42-billion (Rs 2,01,600 crore) private education market in India and growing fast enough to double in a decade. Analysts expect the share of average household spend on education to increase from the present seven per cent to nine per cent by 2018.

Technopak, a consulting firm, sees enrollments in K-12 growing to 351 million, requiring an additional 34 million seats by 2018. This equals Rs 3,91,000 crore at Rs 1.15 lakh a seat. Brokerage firm IDFC-SSKI Securities is more bullish: it expects private spending on education to grow by 14 per cent, creating a $80 billion (Rs 3,84,000 crore) market by 2012.

With such numbers in the air, the K-12 space has attracted big names like Educomp, IMS Learning Resources, Career Launcher and Shamrock. Like retail chains on an expansion spree, they have even set targets for buying out schools or building new ones.

Private Equity

And it's not just entrepreneurs: Kaizen Private Equity is raising Rs 300 crore for a dedicated, 8-year

K-12

MARKET SIZE

2008	$19.6 Billion
2013	$28.8 Billion
2018	$40.3 Billion

Source: Technopak, CLSA, FICCI Report

REGULATION

PRIMARY

- Profit Making: Not allowed except in Maharashtra and Haryana.
- Mandatory Recognition: Required (except in some states like Punjab).
- Fee structure: Not controlled.
- Authority: State Dept. of Education, City Municipal Dept., Society Registrar, NCERT.

SECONDARY/HIGHER SECONDARY

- Profit making: Not allowed except Maharashtra and Haryana.
- Mandatory Recognition: Required.
- Fee structure: Not controlled.
- Authority: NCERT/CBSE/ICSE/ State Board (for course affiliation).

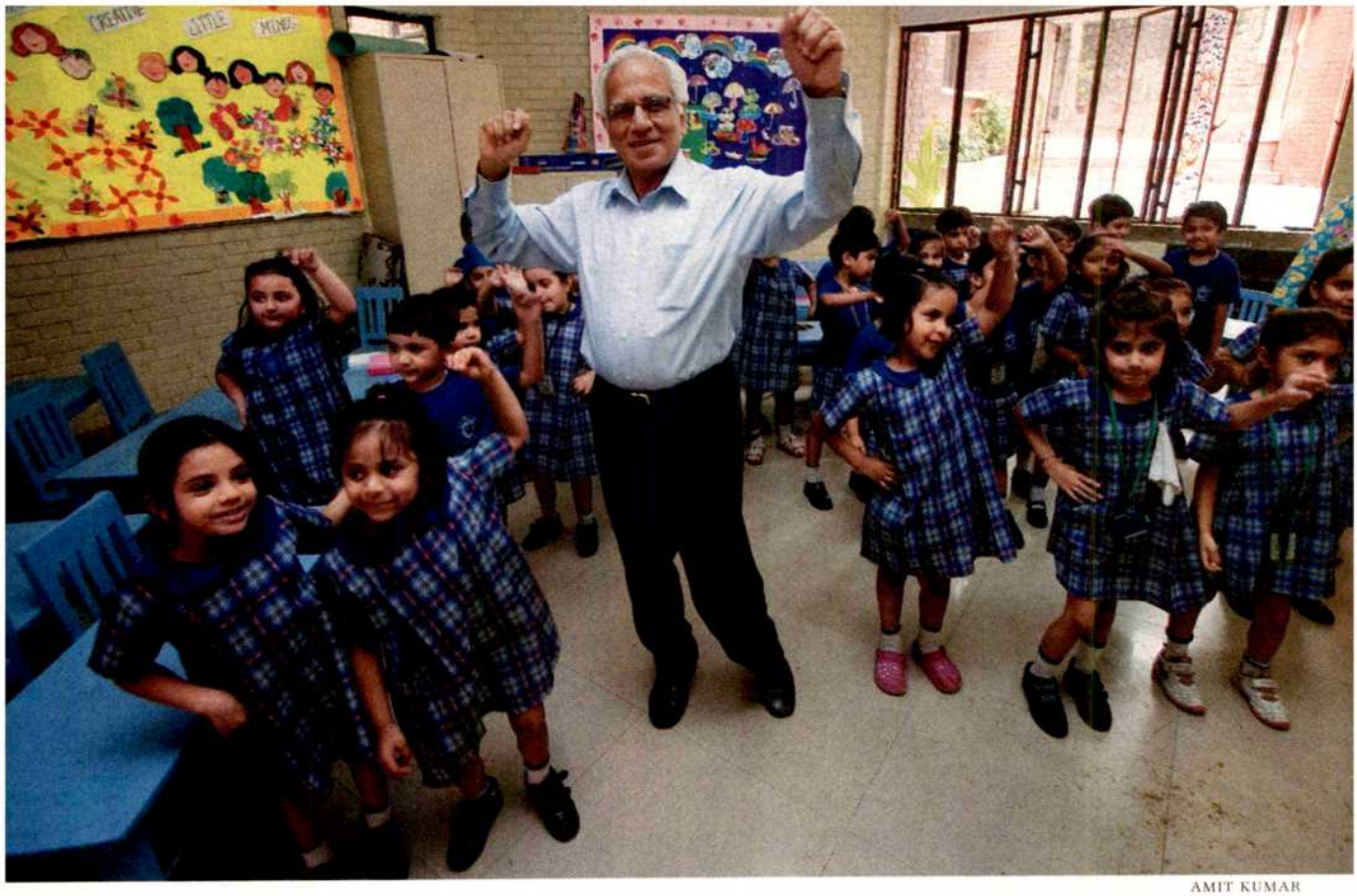
Source: Technopak

OPPORTUNITIES

- K-12 education will require 34 million additional seats by 2018.
- Public education leaves a lot to be desired. 34% of school-going children attend 20% of schools (private schools).
- High propensity of the middle class to spend more on education.

RECENT DEVELOPMENTS

- Yash Birla plans Rs 500-crore foray into education, to open K-12 schools.
- Manipal K-12 is targeting to own 100 schools in the next five years.
- Educomp plans to build 150 schools by 2012.
- GEMS Education plans to own seven schools in three years.
- HRD Ministry has announced PPP in 3,500 govt. schools out of the 6,000 model schools it hopes to launch in future.



AMIT KUMAR

Ashok Chandra, Chairman, DPS Society

"Schools should be allowed to make a small surplus for reinvestment into the sector"

education fund, part of which will be invested in companies that manage K-12 schools. "The companies we invest in will upgrade the curriculum, teaching methodologies, staff and technology solutions to global standards. This will help us generate revenues from core education and value-added services," says Sandeep Aneja, Managing Director, Kaizen Management Advisors, Mumbai.

Kaizen intends to licence the brand name of some of the schools in which it is investing. "Using the brand name of some of the schools we own, we can easily set up and expand operations in new locations," says Aneja.

So far PE and venture capital funds are still small players. According to a Venture Intelligence report, PE/VC funds have invested $300 million (Rs 1,440 crore) in education-related companies, but only two companies have invested in the K-12 sector.

Deepak Srinath, Director, Bangalore-based Viedea Capital Advisors, points out that income for schools does not come from fees. "The companies are interested in school ownership not because of fee income, but because of the business coming out of selling content, technology and other services. By taking over a school, an investor ensures that the business is captive," says Srinath, adding that his I-bank had been approached by a few large education-service providers exploring takeover opportunities in the school segment.

They Are Changing...

Even the veteran brands are changing with the times. The 59-year-old Delhi Public School (DPS), which has 122 affiliate schools, has become choosy about its partners. It's open to proposals for new schools only from public sector undertakings and large corporates. Bangalore's National Public School chain, which turned 50 this year, is even choosier: it's currently open to invitations only from foreign governments.

The Rs 3,000-crore Yash Birla Group has just announced a Rs 500-crore investment in education by 2012. Birla Edutech CEO Srikrishna

Spreading Smiles

Delhi Public School

ESTABLISHED: 1949, Delhi

STARTED AS: A CBSE Primary School

INITIAL INVESTMENT: Not Available

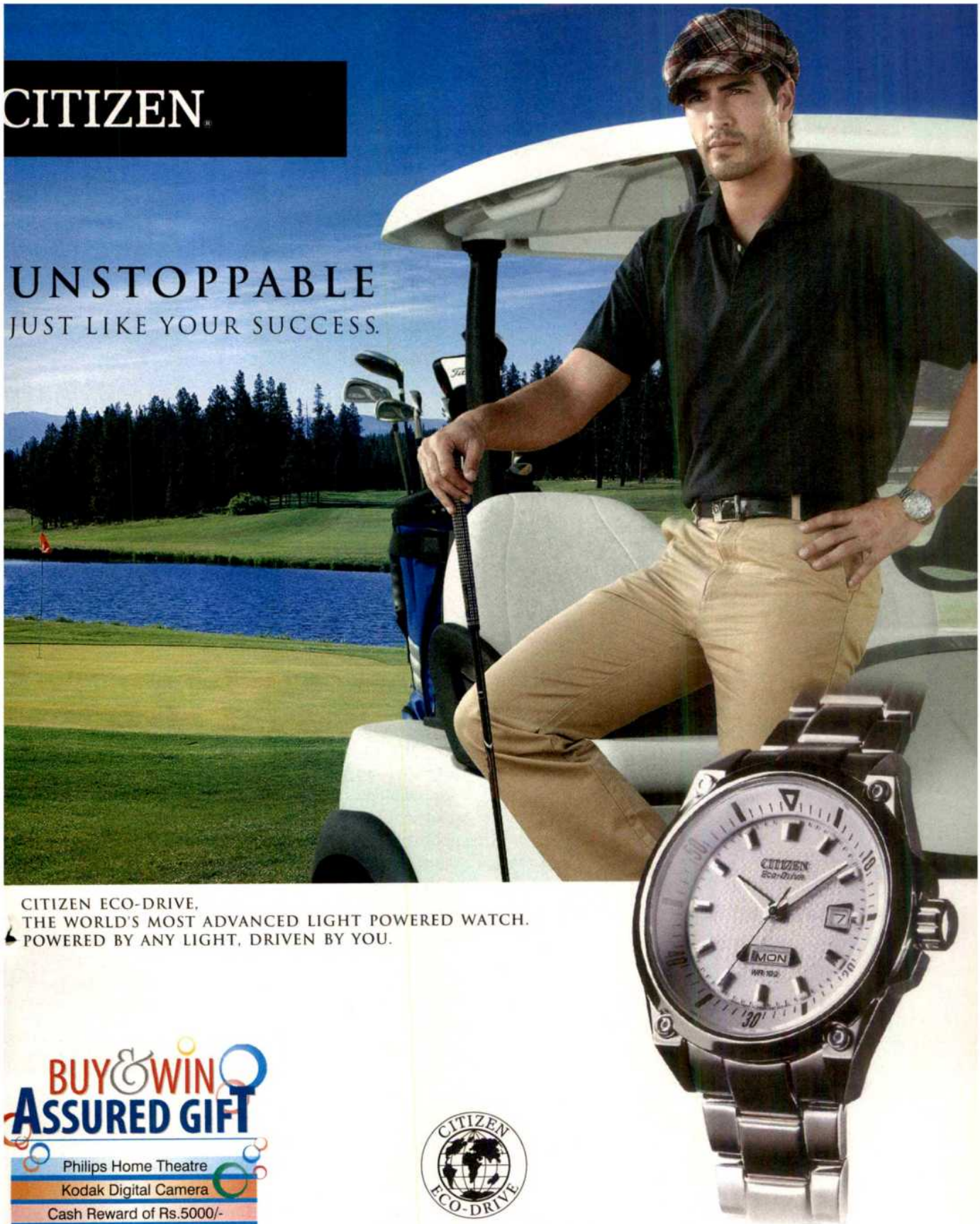
REVENUE: Rs 400 crore in 2007-08*

FOOTPRINT: India, Singapore, Middle East, Nepal, Indonesia, Dhaka

EXPANSION PLANS: Open schools across India and abroad in the next few years

STUDENT STRENGTH: 2 lakh plus

*Technopak Analysis



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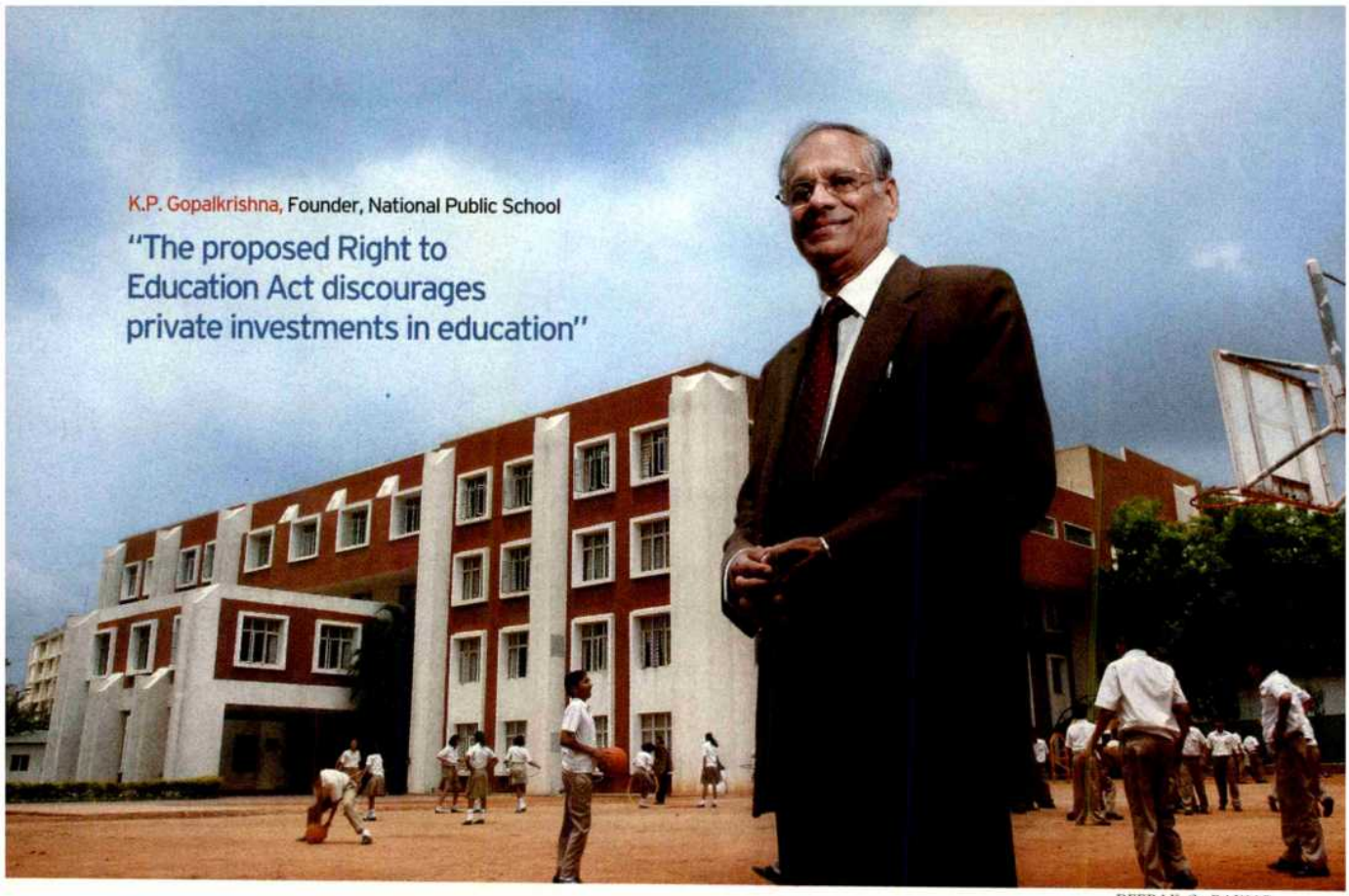

DEEPAK G. PAWAR

Guiding Force

National Public School

ESTABLISHED: 1959

STARTED AS: A CBSE Primary School

FIRST YEAR ENROLLMENT: 3

INITIAL INVESTMENT: Rs 5,000

REVENUE: Rs 9 crore

FOOTPRINT: Bangalore, Chennai, Singapore

EXPANSION PLANS: Bangkok, Hong Kong, Dubai

STUDENT STRENGTH: 10,000

STUDENT-TEACHER RATIO: 1: 10

says eventually they will own 20 per cent of the schools and run the rest via joint ventures and franchisees.

Six K-12 schools, under the brand name Open Minds, will come up at Nasik, Mumbai, Gurgaon, Bangalore, Hyderabad and Chennai from 2011. Another Mumbai-based group, Ryan International, which started its first school in a garage in 1976, today has 115 schools in India and one in Sharjah with 2 lakh students. In the next two years, Ryan will open schools in West Asia and in other Indian cities, says its Managing Director, Grace Pinto (53).

Some, like Zee Group unit KidZee, prefer not to own any school at all. But KidZee dominates the pre-school segment with 697 schools run by franchisees, from whom it takes a royalty per student. Launched in 2003 with an investment of Rs 4.05 crore, KidZee has 33,000 enrollments and reports revenues of Rs 16.5 crore a year. Nitin Pandey (30), KidZee's Business Head, says the chain has grown by 50 per cent annually in the last six years, outpacing the segment's growth. The aim: 1,800 centres by 2012-13.

Regulations, a Dampener

With an oversupply of government schools and shortage of quality private schools, there's a big gap that private investors can fill. But the patch is strewn with roadblocks.

A Venture Intelligence survey of 90 PE funds in January this year threw up a common reply: education is a hot segment. Over 80 per cent of them said they plan to invest in education companies, but half of those polled said regulatory hurdles are a deterrent.

National Public School's Founder K.P. Gopalkrishna and his National Education Trust, for one, would rather go to Bangkok, Dubai and Malaysia, than open any more schools in India.

"I have put my plans on expansion in India on hold. The proposed Right to Education Act entails several commitments from private schools. It discourages private investments in education," says Gopalkrishna. If extended the same economic freedom as the IT sector, Indian educationists will produce world-class institutions, he asserts.

DPS Society Chairman Ashok Chandra, a former IAS officer, also favours some easing of controls and says schools should be allowed to make a small surplus for reinvestment into the sector. ⊙

WITH SAUMYA BHATTACHARYA IN DELHI, ANAMIKA BUTALIA IN MUMBAI AND NITYA VARADARAJAN IN CHENNAI

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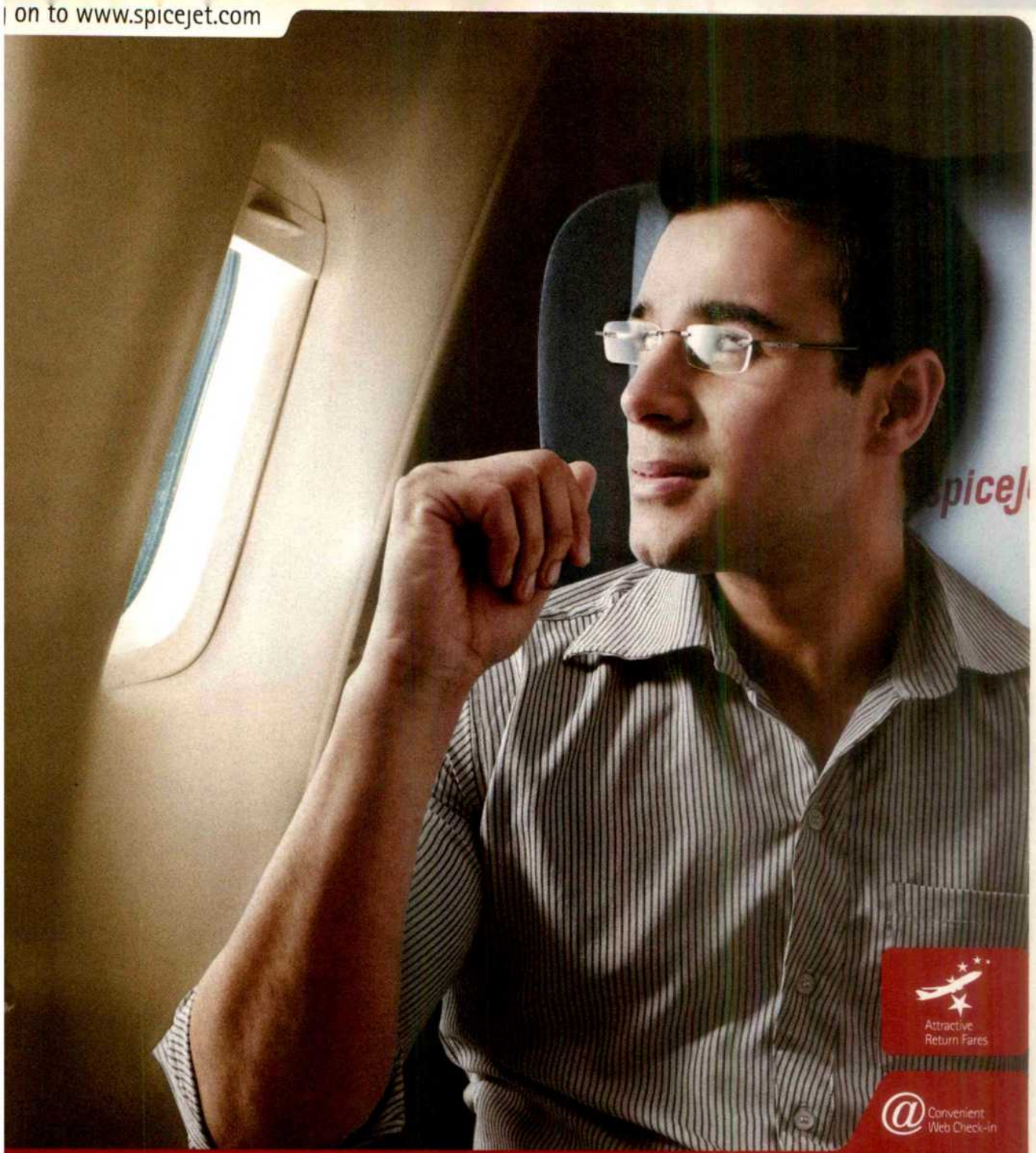

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PAWAN AGARWAL
Civil Servant & Author

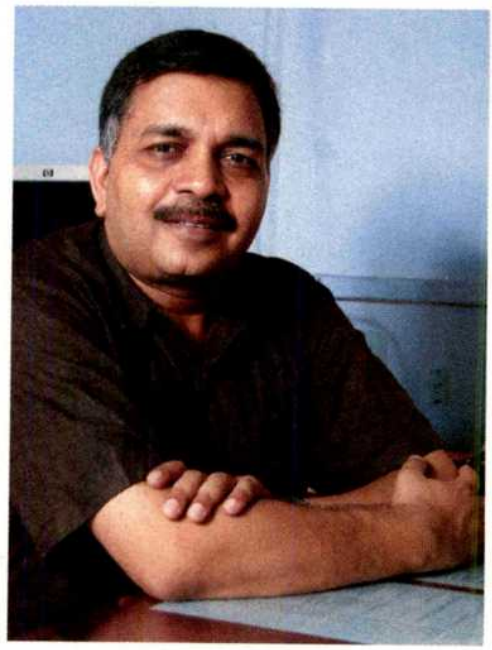
Legally Non-profit, For-profit in Reality

Over the past two decades, the spurt in demand for higher education in India has meant that public institutions could no longer play a lone hand. The government is clearly unable to accommodate the volume of students who now seek to pursue higher education in India. To top it all, there is growing dissatisfaction with the public education system. Thus, the growth of the private sector in higher education was only a matter of time and, indeed, its rise has been spectacular in the 21st century.

There is no doubt that private institutions have allowed more students to pursue courses of their choice. But access to quality private education comes at a cost. The expense incurred by students and their families is a binding constraint. This can be addressed by resorting to student-based funding. Though direct government support to students enrolled in private institutions is currently negligible, it is likely to increase in future. This could take care of equity implications of private growth.

However, the strongest opposition to private growth stems from the fear of commercialisation. The private sector's stress on commercial success over academically strong institutions leads to criticisms about quality, particularly since many legally non-profit institutions appear to be for-profit in reality.

Unsurprisingly, then, the extent and form of regulation is vigorously debated. This debate is particularly intense as deeply held state-oriented beliefs clash with the overall political-economic trend of privatisation. In India, private higher education has grown in a policy vacuum, unlike countries such as Malaysia (even China) where the government took measures to enable and promote private growth. In India, unexpected growth in the private sector led the government to impose regulations. Such policies obviously have ambiguities; thus judicial interventions have become the order of the day.



DEBASISH PAUL

Moreover, there has been a lack of clarity in the attitude towards private higher education. It is viewed with suspicion. It is also argued that encouraging private provision would dilute the government's constitutional responsibility.

This ambivalence needs to be understood in the context of Indian polity. Political parties are cautious in their support for private higher education. It is only in recent times that there is growing acceptance of the private sector's role. The government, traditionally wary of private participation, now sees it as inevitable for expanding opportunities in education.

Having come this far, the moot question is to ensure quality of such education—profit or non-profit. The country needs a graded, transparent and participatory regulatory framework to ensure this. A coherent policy framework that recognises the complementarities of public and private higher education and ensures the healthy growth of both is required. ⊙

The views expressed here are personal

GEMS Education – Key Player in Indian K-12 Schools Segment

Creating models of educational excellence

Padmashree Sunny Varkey promoted Global Education Management Systems (GEMS) is the leading provider of K-12 education globally. With 50 years of proven experience, GEMS is present across four continents catering to over 85,000 students from 124 countries in its 100 schools and is the biggest employer of Indian and British teachers outside their home countries. GEMS is enriched with many multi-skilled in-house experts and esteemed advisors who deliver world class education globally.

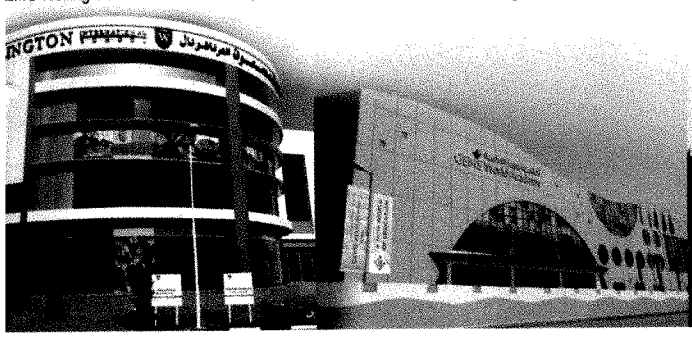
GEMS operates on five models which are owning and operating its flagship Schools; managing all spectrums of schools owned by others; undertaking Advisory and Audit for private schools; collaborating with Government entities for Advisory, PPP models and School improvement programmes; and training Teachers and School Administrators.

Ajey Kumar, Country Head, GEMS India mentions, "We believe in holistic education and provide students with new learning techniques to bring out their best. We have various extra curricular activities and ensure a great deal of focus on inculcating values, ethics and global citizenship traits".

GEMS follows National Curriculum for England, American Curriculum, Canadian Curriculum and others in addition to the CBSE and ICSE curriculums in various countries. GEMS establishes all types of schools from mass market to premium depending on local needs and demographics. GEMS has been present in India for last five years with 10 managed schools currently in the pre and post operational phases. It also has around 7 owned schools in the pre operational phase slated for launch over the next two years in and around Bangalore, Chennai, Trivandrum, Mumbai and Delhi. GEMS works with leading Real Estate Developers in India helping them provide educational amenities in their current and upcoming townships. **Ajey Kumar** mentions that GEMS is also introducing the 'Weekly Boarding Concept' in its schools planned in outskirts of Mumbai, Delhi and Bangalore.

GEMS plans in India include setting up 20 owned schools and creating an overall network of 100 schools over the next 5 years. Looks like India is going to set a benchmark position in the field of school education in coming years with GEMS being its enterprising guide and the gold standard of K-12 education.

EMS Wellington International School, Dubai



GEMS World Academy, Dubai

Sherfield School, London

GEMS Winchester School, Gurgaon (Pre-op

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;EMS Schools have provided the community with over five decades of excellence in education

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Branching Out

NIIT

STARTED IN/AS: 1981, Delhi, an IT training solutions provider (first centre in 1982)

NOW PRESENT IN: Schooling, higher education, vocational and skills training

INITIAL INVESTMENT: Rs 12 lakh

FIRST YEAR REVENUES: Rs 1 crore

REVENUES NOW: Rs 1,148 crore (FY 2008- 2009)

ENROLLMENTS IN FIRST BATCH: 99

CURRENT ENROLLMENTS: 5,00,000 at NIIT centres; 12 million across all verticals

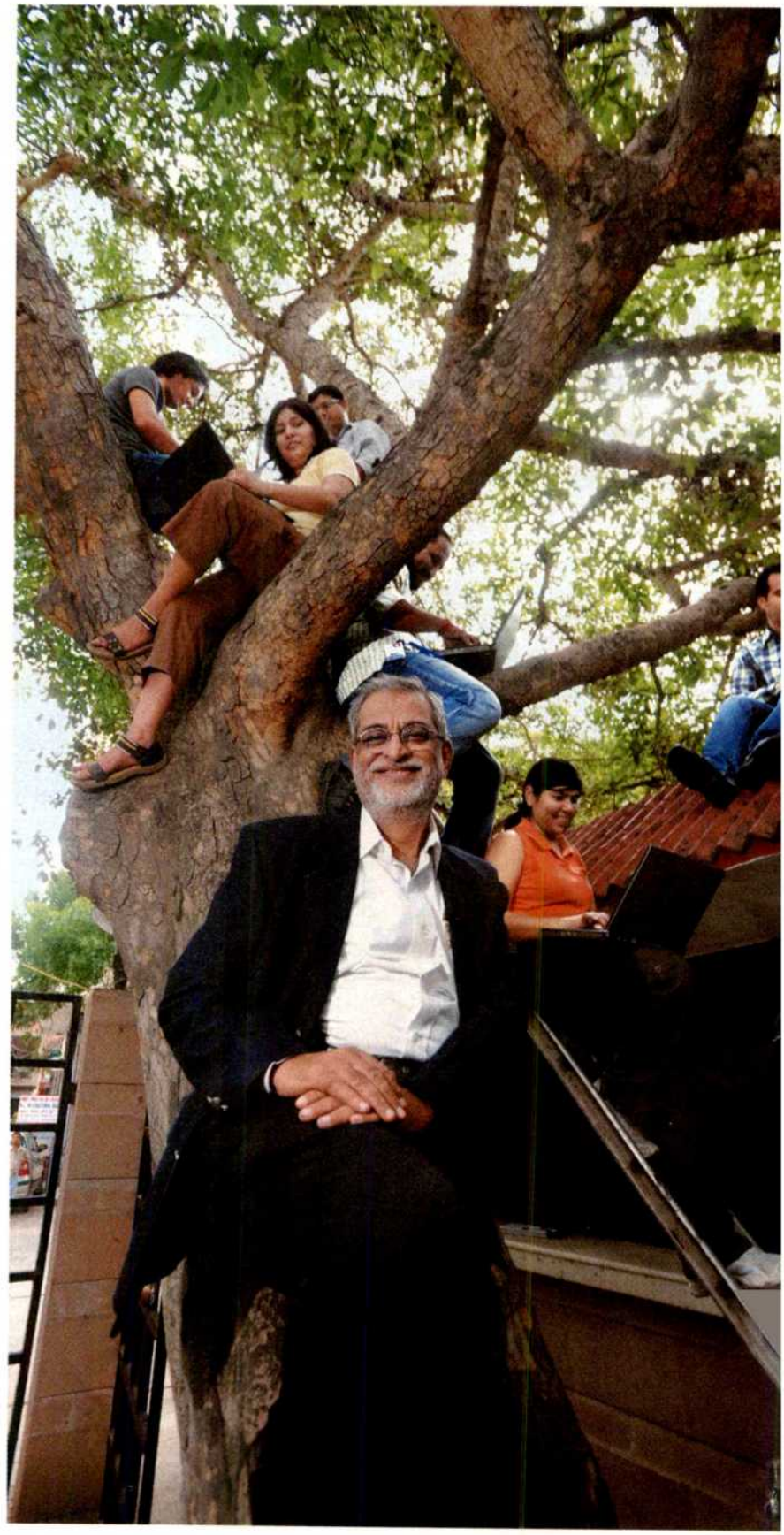
FOOTPRINT NOW: Over 1,25,00 education centres in India, over 200 IT centres in China and 170 across the world

EXPANSION PLANS: NIIT University at Neemrana, Rajasthan, starts in Sept. '09

FOCUS AREAS: Skills development and schools

Vijay K. Thadani, CEO, NIIT

"The opportunity around employability is huge. A hundred such NIITs can exist"



SHEKHAR GHOSH

Small Start, Big Finish

The vocational and skills training market has spawned scores of successful entrepreneurs. Many of them are expanding into secondary and higher education. SAUMYA BHATTACHARYA

In 1982 when Rajendra Pawar and Vijay K. Thadani started their first NIIT centre in Mumbai, education as a business proposition was a laughable idea and the computer a complex entity. But, in their search for the gold vein, Messrs Pawar and Thadani had spotted a glint here, a nugget there: IBM had introduced the personal computer in 1981, the Computer Society of India had said Indian industry was hamstrung by a lack of computer professionals, and India at that time had 6,00,000 unemployed graduates. The NIIT founders saw the mother lode: making industry and education talk.

Today, NIIT is one of the world's leading education companies, centered on the premise of employability, which in turn has become a multi-billion-dollar business that has set the pulse of old and new entrepreneurs racing. "Earlier, the word private and education could not be said in the same sentence. Now, the opportunity around employability is huge. A hundred such NIITs can exist," says Thadani, 57, CEO, NIIT Ltd.

The vocational and training business is a baby in the education business landscape, accounting for less than 10 per cent of the whole pie. But it is poised to grow the fastest, between 16 and 40 per cent a year, depending on the niche, according to Technopak. And what is the opportunity size? "India's human capital is the biggest entrepreneurial opportunity on the planet," says Manish Sabharwal, Member, National Council on Skill Development. Uma Ganesh, CEO of Global Talent Tract (GTT), which entered the market in 2009, has a value figure: Rs 40,000 crore just in India.

No wonder then, that everybody wants in: new entrepreneurs, established players in school and higher education, private equity investors and foreign players. The terrain covers everything from test preparation, training and assessment to curriculum, teacher's training, technology delivery and products.

Among those already in: Navneet Publications, which is into stationery and e-learning, test preparation biggie FIITJEE and Mahesh Tutorials with its 50,000 students. Knocking at the door is higher education and schools major Manipal Education, armed with a tieup with City & Guilds of the UK. "With over three million Indians graduating every year, at least one million per year will need employable skills and that is where GTT intends to capture a major share," says Ganesh.

A to Z

Ganesh and scores of others are in a flurry of activity to exploit the terrain that NIIT first identified. Then, the going was not always smooth: NIIT began with 99 students and in the eighties had to actually support the education model with its software services business. Today, NIIT has become a start-to-finish outfit—schools, skills, corporate training and as you read this, its very own NIIT

VOCATIONAL & TRAINING

MARKET SIZE (Growth)

Vocational & Training	$1.4 billion (10%)
Test Preparation	$1.5 billion (15%)
E-learning	$.04 billion (40%)
IT Training	$1.8 billion (40%)

Market size for 2008

REGULATION

- Unlike K-12 and higher education, profit-making is allowed.
- Recognition: Only for ITIs and polytechnics.
- Authority for registration: State Government.
- Authority for affiliation: Directorate General of Employment and Training, National Council for Vocational Training or State Council for Vocational Training.

OPPORTUNITIES

- Industries such as logistics, healthcare, construction, hospitality and automobiles need trained manpower.
- New and viable business models in technology-enabled education.
- 2.5 million getting vocation training annually against an estimated 85-90 million people needing it from 2008-13.

Source: Technopak

RECENT DEVELOPMENTS

- Career Launcher readies university launch in 2010.
- NIIT University rolls out in September 2009.
- Everonn, a technology-enabled education player, has entered formal education; to set up colleges.
- Matrix Partners India invested Rs 100 crore in IIT test prep company FIITJEE.
- Career Point that started as a test prep outfit has recently raised Rs 50 crore in equity capital from Franklin Templeton Private Equity Strategy.

AMIT KUMAR

Greener Pastures

Career Launcher

STARTED IN/AS: 1995, Delhi,test preparation for B-schools

NOW PRESENT IN: Schooling, higher education (B-school and university), vocational and skill training and test preparation

INITIAL INVESTMENT: Rs 13,000

FIRST YEAR REVENUES: Rs 30,000

REVENUES NOW: Rs 150 crore (FY 2008- 2009)

CURRENT ENROLLMENTS: 1,10,000

FOOTPRINT NOW: 225 locations across India, UAE and the US

EXPANSION PLANS: University rollout next year; number of Bottom of Pyramid schools to go up to 100 by 2012

FOCUS AREAS: Higher education, vocational skills and K-12 with focus on low-cost education

Satya Narayanan R., Founder-Chairman, Career Launcher (in the centre)

"Skills training will be the integral part of our university, just as entrepreneurship is the focus of our B-school"

University in Neemrana, Rajasthan.

Start-to-finish is what Satya Narayanan R., 38, of Career Launcher, also wishes to be. The IIM-Bangalore alumni's journey began in 1994 without any firm business model or capital. All he wanted was to be a teacher-entrepreneur. His market: MBA aspirants. Career Launcher began with coaching for MBA entrance tests in 1995, then expanded into engineering, law and medical coaching.

Initially, however, the franchisee model that had worked for NIIT was an unmitigated disaster for Satya, till he realised that he needed business partners who were teachers first.

But when the business started to flatten by 2003, Satya started looking at the mainstream. "I would ask myself: how are we going to become a Rs 500-crore company? And the answer clearly lay outside test preparation," says Satya.

By August 2005, Career Launcher had gotten into pre-school (Ananda) and K-12 (Indus World School). Scale happened. Two Indus World Schools were started in Indore and Hyderabad in 2006. Last year, Career Launcher had come full circle, setting up a B-school, the very thing for which it used to prepare students.

With the recession casting a shadow over the MBA market, Satya mapped out plans for a university. Career Launcher applied to the Rajasthan government last year and expects a green signal for its Indus World University. The university model is looking for volumes from skills. "Skills training will be the integral part of our university, just as entrepreneurship is the focus of our B-School," he says.

That's precisely what NIIT is targeting. Two businesses that started 14

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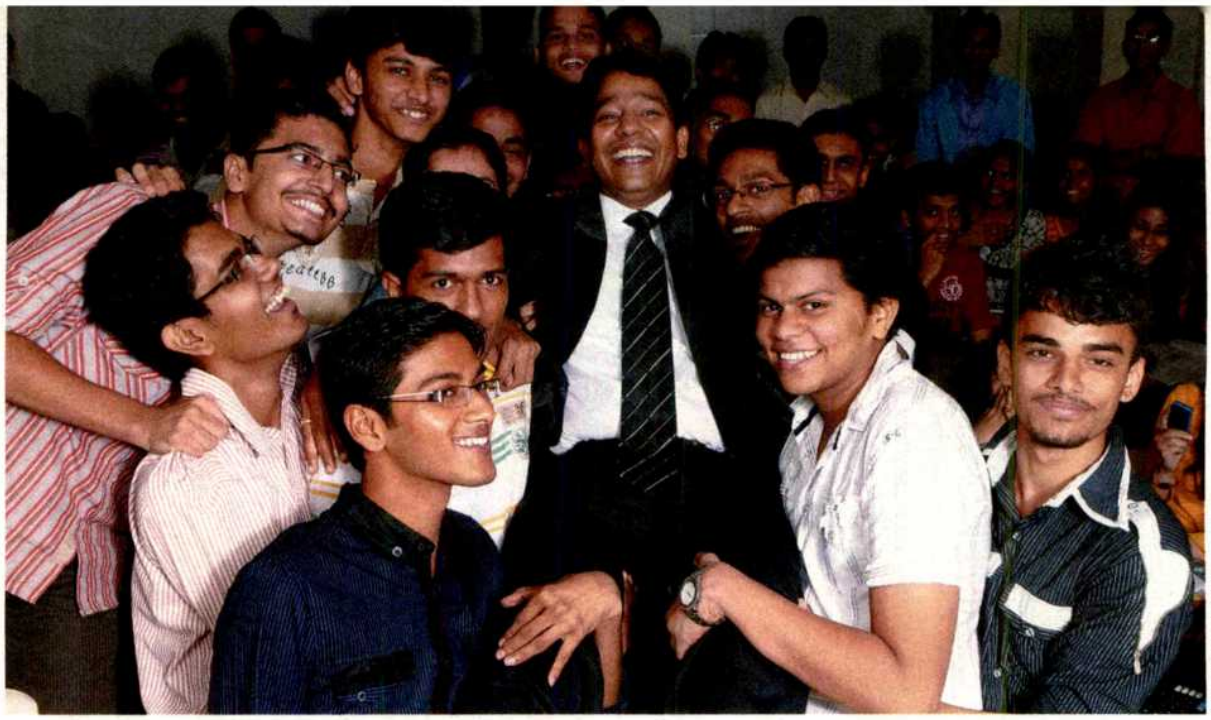

UMESH GOSWAMI

Mahesh Shetty, Founder-Chairman, Mahesh Tutorials (in the centre)

"Mahesh Tutorials is backed by private equity. We have expanded with $8 million funding from Helix Investments"

years apart in training are branching out in a similar manner, and skills-training remains the underlying focus.

And why not? A lot of industries like retail and healthcare have evolved in the last 4-5 years. "These will require a large work-force that needs to be trained," says Amitabh Jhingan, Partner, Transaction Advisory Services, Ernst & Young. Moreover, unlike K-12 and higher education, vocational, test preparation and tutorials allow that dirty word, profit.

Venture capitalists have been quick to take note. "Vocational education will be one of the next spaces to witness tremendous growth," says Pradeep Tagare, Director, Intel Capital.

Intel Capital's $250-million (Rs 1,200-crore) India fund has invested $6.5 million (Rs 31 crore) in GTT in January 2009. In the US, the fund has a stake in Tutor.com, an upstart which now competes with TutorVista.

Learnings for the Teachers

Yet for entrepreneurs, vocational education and training remains a difficult business. Old and new players alike face three common challenges: quality delivery, filling up classes and employer linkages. And only a massive upfront investment can help them tackle these challenges.

"In vocational training, outcome is binary and easy to measure. Training has to lead to a job, an outcome," says Sabharwal. Some of the successful models have successfully tackled one or more of these challenges.

Take, for instance, TutorVista, whose founder K. Ganesh got market volumes by offering unlimited online tutoring sessions to American students (K-12) at $100 (Rs 4,800) a month. The tutors are available round-the-clock, all seven days, running classes from their homes in 95 towns/cities across India. TutorVista has about 10,000 student subscriptions, handled by 1,400 tutors.

Everonn, which started with 332 schools in Tamil Nadu as a public private partnership in technology-enabled education, is today expanding into formal learning. Says P. Kishore, Managing Director: "We expect payback for a B-school in 4-5 years, for engineering colleges in 60 months and for schools in 5-7 years."

New entrepreneurs are quick to learn from their established peers. GTT is today building partnerships with universities and state governments. Its first B-school, Europe Asia Business School, has already opened its doors. "By end-2010 we expect to have a network of 25 GTT centres and at least four B-schools, operations in three countries outside India and become cash profitable," says Uma Ganesh.

The sky, by all accounts, is the limit for Uma and others of her ilk. ⊙

WITH K.R. BALASUBRAMANYAM IN BANGALORE, ANAMIKA BUTALIA IN MUMBAI AND NITYA VARADARAJAN IN CHENNAI

On Course
Mahesh Tutorials

STARTED IN/AS: Mumbai, 1988, Coaching classes for higher secondary

INITIAL INVESTMENT: Rs 6 lakh

FIRST YEAR REVENUES: Broke even

REVENUES NOW: Rs 100 crore

CURRENT ENROLLMENTS: 50,000

FOOTPRINT NOW: 170 centres across India—one in Dubai

EXPANSION PLANS: To begin IIT preparatory classes and to introduce technology as a teaching aid

FOCUS AREAS: Test preparation

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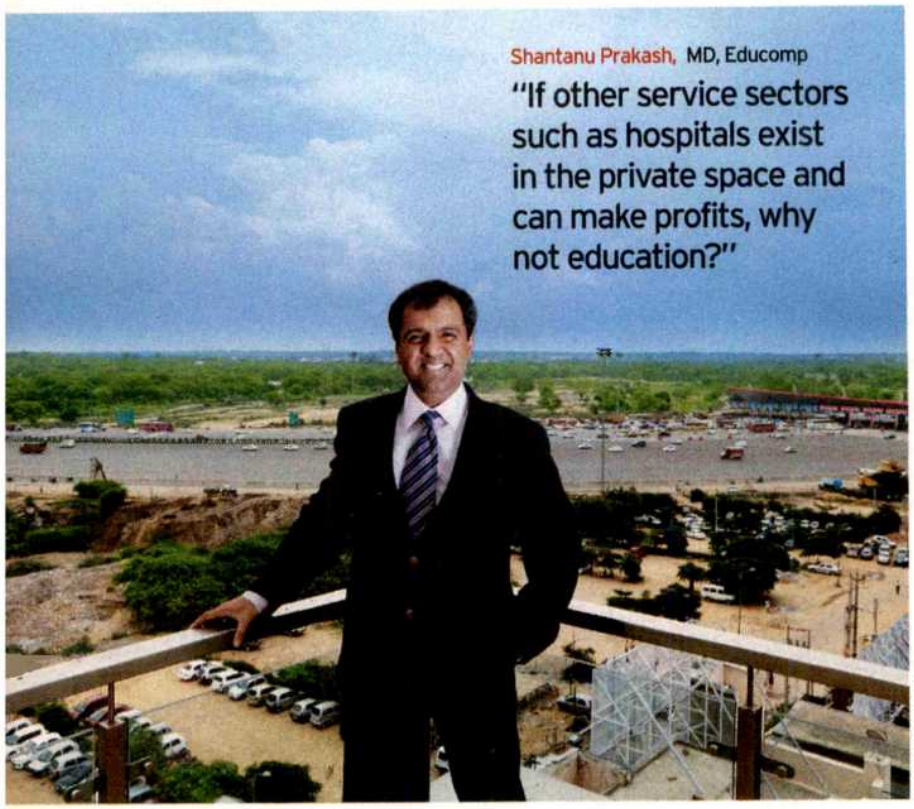
An Open Book

Educomp has spotted opportunities in virtually every segment of education without getting caught in regulatory hassles. SHAMNI PANDE



Shantanu Prakash, MD, Educomp

"If other service sectors such as hospitals exist in the private space and can make profits, why not education?"

VIVAN MEHRA

Standing Tall
Educomp

STARTED IN/AS: 1994; To set up computer literacy labs in schools

INITIAL INVESTMENT: Rs 1 lakh

FIRST YEAR REVENUES: < Rs 50 lakh

REVENUES NOW: Rs 637 crore

CURRENT ENROLLMENTS: Educomp reaches out to over 23,000 schools and 12 million learners and educators

FOOTPRINT NOW: Learning solutions in 1,910 schools. In 13,792 government schools across 14 states, 643 pre-schools. Set up K-12 under various brands. JV with Raffles Education, JV with Pearson for vocational training, present in e-learning

EXPANSION PLANS: Expand SmartClass to 60,000 schools, build 150 K-12 schools by 2012. Have 2,000 pre-schools, build ICT initiatives further via PPP, international expansion

"As some of you might be aware my company Educomp Solutions is launching its IPO on Monday, 19th December. The issue will remain open till 22nd of December. I need your support to make the issue a success. Please apply for the issue and also spread the word around. We will be the first education company in India to be listed"

***Shantanu Prakash**, Managing Director, Educomp Solutions*

Surely, this simple appeal to the IIT-A alumni network in 2005 is not the only cause that has worked to bring about outstanding success for Shantanu Prakash, Managing Director, Educomp Solutions. He launched his initiative in 1994 and started off by trying to enter schools through IT intervention. He devised a clever way of affording schools an opportunity to get a return on their investments on IT by opting for the build, operate and transfer model. "He is truly a visionary who has seen the business need that was just lying there waiting to be picked up and he's now present in virtually every segment," says an industry observer.

Prakash does not deny the claim: "We are an education eco-system company and have a footprint in virtually all major segments," he says and does not mince his words on his leadership status: "We are 10 times our nearest competitor and are present in 2,900 schools through our learning aids. We currently have 23 schools in our portfolio under different brands and we hope to have 150 by July 2012. We are the largest in pre-schools and will have 2,000 such outfits by the next few year."

For a company that has been transparent in disclosing all its areas of cost, revenue and investments, it is obvious that Prakash should hold very strong views on the entry of private players in education. "If other service sectors such as hospitals exist in the private space, why not education? The debate should be around good education and ensuring that it gets delivered and not about preventing its growth," he says. Is he betting on the space being opened up further, thereby bringing more transparency into the system and widening scope of entry for people with profit motive? "I think, eventually the reforms will allow for such a change," says Prakash ⊙

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RAGHAV GUPTA
President/ Technopak Advisors

Thumb Rules for Investment in Private Education

The private sector has been playing an increasingly important and influential role in India's education sector over the past few years. In fact, at last count, over 50 per cent of the country's educational institutions were privately run (in the US, the private sector's share is 32 per cent and in China, it is 25 per cent). As an industry, private educational institutions in India were worth $40 billion in 2008, a figure that is projected to grow to $70 billion by 2013 and $115 billion by 2018 from a demand growth perspective, if supply keeps pace.

The problems, however, are two-fold: a large demand-supply gap and average to poor quality of most privately-run institutions. There is clearly an opportunity, therefore, for more private players to enter the education space. While schooling and higher education institutes are required to be set up as 'not-for-profit' ventures, with mandatory registration as a Trust or Society, quality private institutes are the need of the day. Entrepreneurs and companies wanting to invest in education, therefore, need to follow certain thumb rules.

Market Assessment: A pragmatic assessment of the "catchment" in each segment of education is important, from the standpoint of achieving required student enrollment, before planning an investment. The catchment (in this case the travel time to and from the institute) for a pre-school student should be 30 minutes, for a K-12 day school 60 minutes, and for a residential school, this would be five hours. Demand for a vocational training institute originates from within city premises, with few students travelling across cities for enrollment. A university or a higher education institute would ideally attract students from all parts of India as well as South Asia, the Middle East and Africa and, therefore, matters would be being dictated by the quality of education on offer and the reputation of the institute.

Key Financials: Setting up an educational institution requires access to large amounts of capital. A regular K-12 school, built over 2 acres of land with a capacity of 2,100 students, would require an investment of around Rs 15 crore and so would an MBA institute spread over 1.5 acres with a capacity of 240 students. An engineering college with a capacity of 1,600 students spread over 10 acres of land, on the other hand, would require an investment of Rs 100 crore. Similarly, the project cost for setting up a private university over 300 acres of land, with a capacity of 40,000 students, may be around Rs 1,500 crore. In these ventures, financial returns are attractive, with EBITDA levels of over 30 per cent and project IRRs ranging from 25-35 per cent levels.

RACHIT GOSWAMI

Regulation: Shortage of quality educational institutions is a result of India's tightly controlled regulatory structure. Education is regulated at both the Central and state government levels. Higher education has several regulatory bodies, including AICTE and UGC, but there is no umbrella body to regulate K-12 schools nor a uniform law for schools. There are considerable entry barriers and regulations that need to be met, and a thorough understanding of these would, perhaps, lead to better and quality institutions. ⊙

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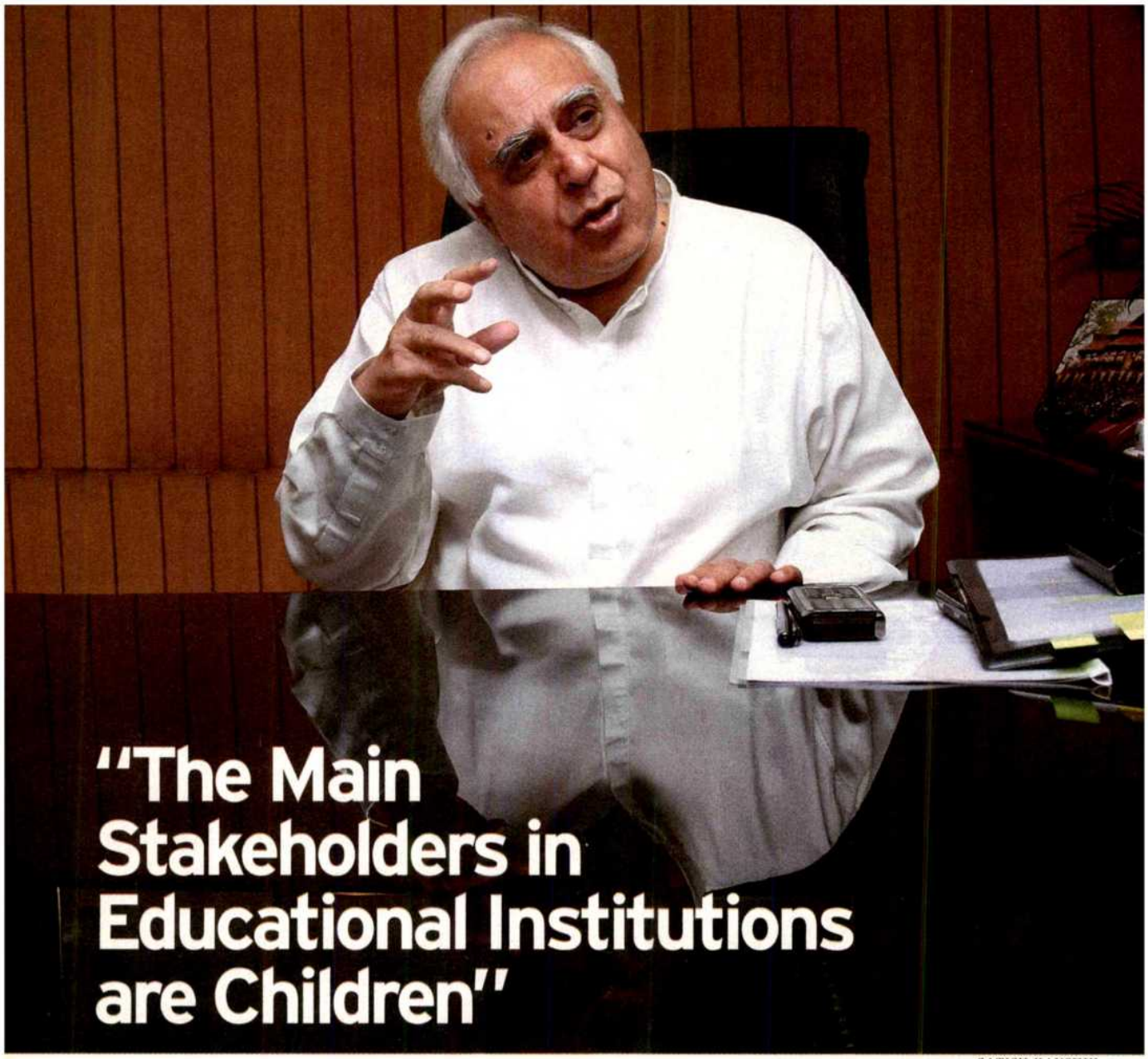


"The Main Stakeholders in Educational Institutions are Children"

SATISH KAUSHIK

Many believe he is the answer to the Indian education system's crying need for a 'thinking and savvy minister'. Human Resources Development Minister **KAPIL SIBAL** *may be insisting that education cannot usher in a for-profit-participation, but entrepreneurs believe he will become flexible in time. "That's public posturing," say observers. "Give him time. He's the one," they say privately.*

Sibal's already done the groundwork: The Right to Education Bill has been passed by Parliament and he's announced his intention to evolve different models of public-private-partnership (PPP) in 3,500 government schools out of the 6,000 model schools that the government is hoping to launch in future. Some, of course, question his ability to bring in foreign universities in a languishing environment. The plan to bring in an overarching authority for Higher Education based on the recommendations of the Yash Pal Committee Report (YCR) and the National Knowledge Commission (NKC) has raised eyebrows, too. Sibal, therefore, is cautious, but optimistic as he speaks to **SHAMNI PANDE.** *Excerpts:*

Is there room for genuine entrepreneurs to set up good institutions, which are also profit-making?

Nowhere in the world are educational institutions set up for profit. In the US and Australia, you may have some such institutions, but bulk of them are based on endowments. All the money they make is put back into the system. I think the concept of 'business' is not in tune with the way educational institutions have been structured all over the world. It's not that you can't make profit from an institution. But the

purpose is not profit. If you make profit, it should be channelised back to the system.

Is this view inflexible?

If you think the Government of India is going to allow a private company to set up an institution to pay dividends to its shareholders from investments in educational institutions, then, you are mistaken. Education is not meant to profit private shareholders. The main shareholders in an educational institution are children.

What about many entrepreneurs today who are making money from their institutions?

If somebody, through capitation fee or cash transaction of money, is doing so, then that is not only illegal, but a crime against society. One of the initiatives in the 100-day Programme talks of enacting the Malpractices Bill in the education sector, which will prosecute people who are doing so.

How do you plan to motivate entrepreneurs to participate in the space if there's no legitimate gain from it?

We expect private players to invest for their own benefit. For instance, a pharmaceutical company needs enormous human resource by way of technicians, researchers, etc. It would be advantageous for it to start investing in education and eventually to have access to a good talent pool.

Often, you find educational institutions that are not in tune with the needs of the industry. If the private sector is involved, you will have people coming out of institutions with the right skills. Indeed, in the last few weeks, I have had queries from people wanting to participate in expanding the education system—building schools and universities through public-private partnership.

You have spoken of the 100-day Action Plan to usher in reforms in the education sector. What would be the pace of progress?

First of all, I think there is a misunderstanding: A 100-day Action Plan does not mean that everything needs to be completed in 100 days! Our plan has different components. It has proposed legislative and policy initiatives. Some of these programmes will span out in five years, but the seeds will be sown in 100 days.

What are the areas where one can expect change?

To begin with, there will be no concept of a deemed university. Anyone who passes the entry barrier should be entitled to set up a university. Our motto is to expand the education system to give people choices. Foreign universities are very keen to come in. We will have a process through which we will seek to regulate the kind of universities which can come. This will be done on a case-by-case basis.

So, in principle, the Yash Pal recommendations have been accepted?

There are suggestions of NKC as well. YCR has suggested an independent regulatory authority on higher education. These are expert bodies that have a vision of their own about restructuring the education sector. It doesn't mean we accept everything recommended by them.

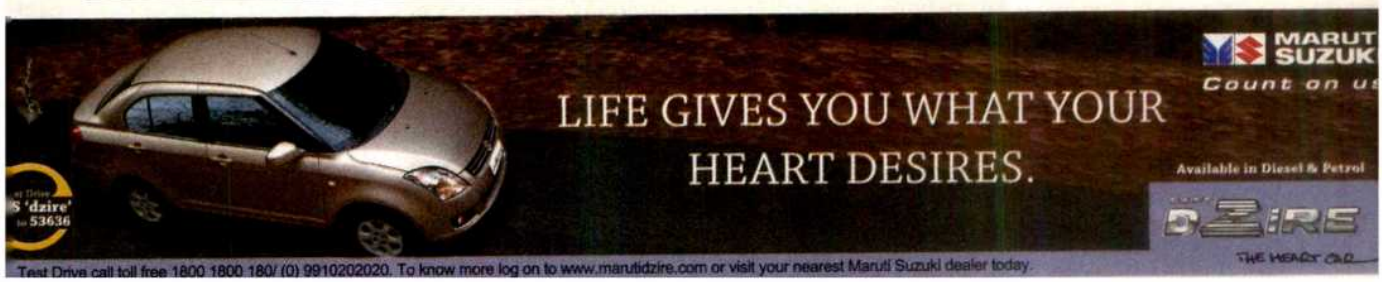
There have been suggestions that the UGC and AICTE would cease to exist in the new scheme of things as you are seeking to bring an autonomous super-structure.

As I said, these are recommendations of the different committees and commissions. There will be a considered decision within the 100-day framework, but thereafter the matter has to go to the Cabinet and there has to be inter-ministerial discussion. At this stage, it's too early to comment.

The fear is one regulatory body is being dismantled to set up another.

We are taking about an independent regulator or an independent accrediting agency. These will be statutory, have statutory powers and will be composed of experts in the field. The point is humans have the genius of adulterating any system they are in. If we are destined to have adulteration due to the very nature of humans, then, I guess, no system will work. We have to move towards transparency and have already taken initiatives in this regard. For instance, all universities now must have websites of their own, complete with faculty details. If they don't, we will take action against them. So, there is already an element of transparency in the system. ⊙

"Nowhere are educational institutions set up for profit. All the money they make is put back into the system"



GOPAL JAIN
Founder MD/ Gaja Capital Partners

Stop the 'War' Against Enterprise

India has too many illiterates but too few entrepreneurs entering into the field of education. Why is this so? The answer is simple: the country is hostile territory for educational entrepreneurship. The government's 'war' against enterprise has ensured that only a select few enter the core education sector.

The reasons for this are not too difficult to find. The education sector is reserved for not-for profit (NFP) entities and this ensures adverse selection by blocking conscientious entrepreneurs who are unwilling to operate for-profit (FP) businesses under the guise of NFP as most currently do.

Economically also, certain government strategies drive away genuine entrepreneurs. The cap on revenues through price controls on fee and constant government sponsored inflation of expenses by obligating compliance with pay commission hikes, etc., are huge stumbling blocks. Another drawback is the fact that the government has confused funding with delivery. Public subsidies are available only for public entities unless the private sector is willing to cede control. Institutional funding, too, is unavailable: NFPs involve huge off-balance sheet settlements, rendering them out of bounds for institutional lenders and financiers. There are other issues, too.

The government's refusal to pass on a part of rising costs on to the consumers (students) has also hindered growth of quality education.

The current foreign investment regulations equate education with real estate. Indian banks are unclear if education is an industry or simply a part of the real estate sector. Ironically other real estate intensive sectors and relatively elitist offerings such as hospitality suffer from no such distortions.

There are four clear upsides of removing the regulatory cholesterol that impedes entrepreneurship in education:

■ Private enterprise will improve both in terms of access and quality and India will build world-class institutions. Indian students will be spared humiliation at home (not seeing your name in the admission list despite being a good student) and abroad (racial prejudice, visa rejections, etc.).

NISHIKANT GAMRE

■ Competition will eliminate regulatory arbitrageurs. A handful of current players, who are honest and competitive, will continue to prosper. Most importantly, the reforms will allow honest entrepreneurs to set up schools and colleges.

■ Multiple price points and alternative models will emerge. Private enterprise will create offerings all along the price spectrum.

■ Massive investments upwards of a few billion dollars will flow into both the core and ancillary education sector. Indian entrepreneurs will be better equipped to face competition from offshore offerings.

This demand for reform is not an appeal to do away with regulations—we need regulation especially because our courts are slow. But the principal threat to capitalism is not economic but political. Crony capitalism may ensure another KG Basin or Delhi's new airport, which leaks every time it rains.

We can argue endlessly, but we don't have 300 years to perfect a welfare state, like the western countries did. India's poor understand that education is the mantra behind their emancipation and they are not willing to wait. Some 175 strife-riddled districts in India are proof of their impatience. Are we waiting for more? ⊙

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Q. Why is the program taught in three cities?
A. This program is designed to transform bright and successful executives to become Global Business Leaders. Conducting the program in three world capitals Dubai, Singapore and Sydney/Toronto** enables participants to learn firsthand about the unique business environment and cultural issues in each city. Guest lectures by local top management contextualize concepts to global practice. Doing a field project in each city adds an interesting practical dimension to the program. Exploring the world beyond one's home country not only broadens one's horizons but helps one build the global business acumen that today's challenging marketplace demands.

Q. What else is global?
A. The global MBA program has a world-class team of professors from across the world to teach courses in a global context. The peer group consists of a diverse and eclectic student body hailing from several countries. There is also a big component on self-development training, as we believe that it is very crucial for today's global managers to have the requisite skill-set besides theoretical knowledge.

Q. Why is it a one-year program?
A. The program is designed for working executives who prefer to take as little time off as possible so that they can get back to work sooner. The curriculum however, is equal to a typical two-year program, as it is designed in a tight format with few holidays. The executives applying for the Global MBA are intelligent, self-motivated and ambitious and prepared to work twice as hard in order to save one year.

Q. Why is it necessary to have work experience to join the program?
A. The program is designed for a mature group of participants enabling rich peer group learning through classroom discussions and group work. Every participant will have a minimum of two years work experience and the average will be over four years. It is also an international norm to do an MBA only after acquiring practical knowledge after few years of working.

Q. Does S P Jain have international accreditation?
A. S P Jain has been accredited by one of the world's leading bodies - the Association of MBAs, UK. S P Jain's MBA programs are the only MBA programs of Indian origin to be accredited by this world-renowned body. S P Jain was ranked #1 in the UAE* in a recent A C Nielsen survey.

*** The winter intake students can spend a term at The Australian School of Business, University of New South Wales, Sydney (ranked #1 in Australia and #5 in Asia) and the summer intake students can spend a term at The York University's Schulich School of Business, Toronto (ranked #1 in Canada and #15 in the world).*

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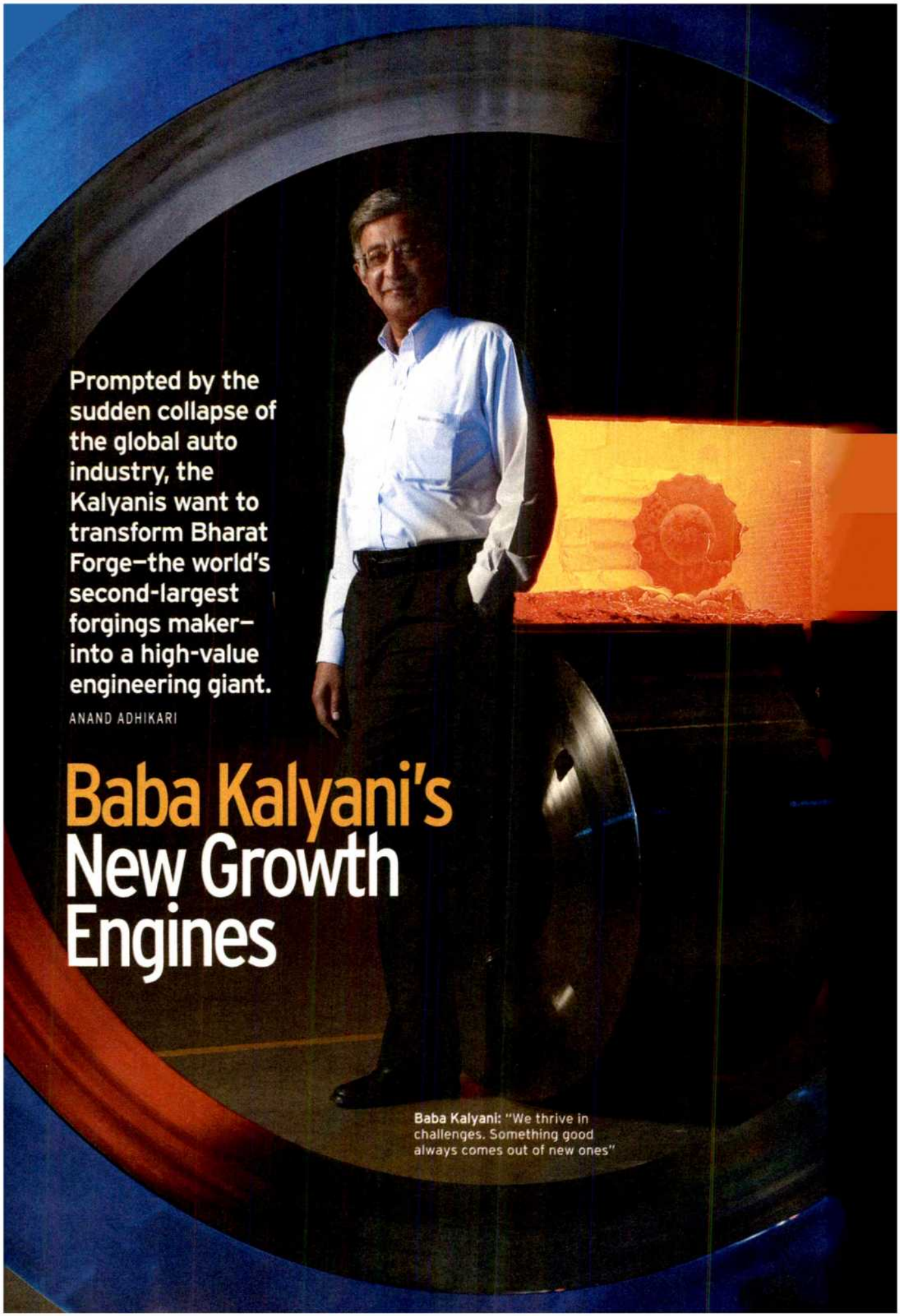
* S P Jain claim based on research conducted by Nielsen UAE, field work dates: 12th May - 15th June 2008, sample size: 100, population details: HR Managers/Recruitment in-charge of leading corporate organisations

INKED CREATIVE SOLUTIONS



Prompted by the sudden collapse of the global auto industry, the Kalyanis want to transform Bharat Forge—the world's second-largest forgings maker—into a high-value engineering giant.

ANAND ADHIKARI

Baba Kalyani's New Growth Engines

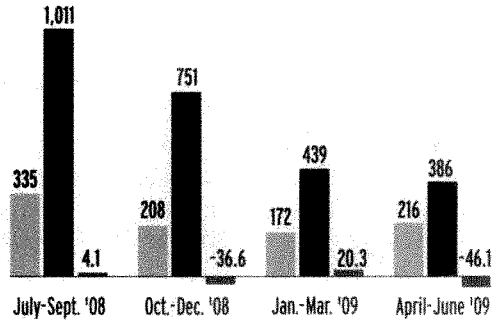
Baba Kalyani: "We thrive in challenges. Something good always comes out of new ones"

Harley-Davidson, the cult American motorcycle brand, has earned a place in the history books for being one of just two motorcycle manufacturers to survive the Great Depression of the 1930s (the other was a brand called Indian). It did so by getting into new businesses like industrial engines and also launching a three-wheeled delivery vehicle. At a time when a recession not too different from the one that started some 80 years ago has taken its toll of global economies and industry—including the automobile sector and, of course, Harley all over again—the American motorcycle maker's decision to move away from its bread and butter business could be a good case study for companies trying to survive the downturn.

At his sprawling headquarters at Mundhwa on the outskirts of Pune, the Harley lesson wouldn't be lost on Babasaheb Neelkanth Kalyani, who knows a thing or two about these big bikes; he owns two of them, and till not too long ago could be seen on weekends cutting through Pune's hilly outskirts on one of his giant machines. "I hardly have any time now," shrugs the Chairman & Managing Director of the $2.4-billion Kalyani Group's flagship Bharat Forge Ltd (BFL), a business that Kalyani picked up from his father and transformed into the world's second-largest maker of forgings. (Forgings are used to make, amongst other things, components for auto chassis and suspension systems.)

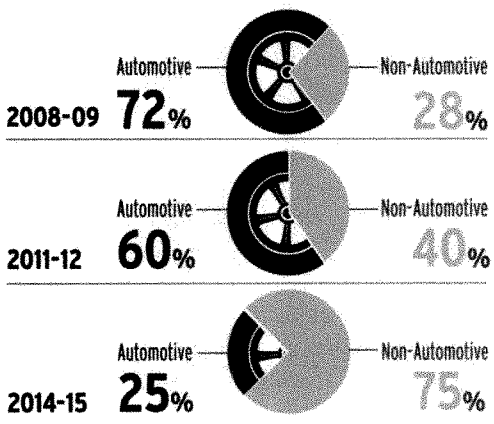
If the 60-year-old isn't seen on his road kings these days, it's because Kalyani is virtually living out of his suitcase, visiting the company's dozen manufacturing plants that span the globe, from Scotland to Germany to Sweden to the US and to China. Yet, one is tempted to draw a parallel between the MS from MIT's recent detachment from the Harleys and his conscious attempt to reduce BFL's exposure to the automotive segment. At the same time, however, to battle the raging recession in the auto sector, BFL—a supplier to the likes of Ford and Volvo—is doing something pretty similar to what Harley did in the 1930s to survive the Great Depression: Looking beyond its mainline business and seeking out new markets (incidentally last fortnight, the US cruiser maker announced it would start its India operations by 2010). Just as Harley moved into the market for industrial engines; BFL is keen to take its high-end engineering skills into other sectors like aerospace, energy, railways and oil & gas by making highly-specialised products for them. "We thrive in

The auto recession has taken its toll on growth...



Consolidated quarterly figures

... which is why Kalyani wants to make non-auto the largest piece...



... by driving into new sectors.

Aerospace	Structural and rotating components
Energy	Windmill shafts, gas engine components
Railways	Engine components & turnouts
Construction Equipment	Engine components
Oil & Gas	Valve bodies, choke bodies
Marine	Engine components

Source: Bharat Forge

challenges," declares Kalyani. "Something good always comes out of new ones."

The similarity with Harley-Davidson ends there (bikes, after all, will always be its mainstay, unlike what BFL is trying to do). The "something good" that Kalyani sees at the end of the tunnel has the potential to make BFL three times its current size. "In energy itself—between thermal, wind and nuclear—we can generate Rs 15,000-20,000 crore annually. Compare that to what we are doing today—Rs 4,000-5,000 crore—and you will realise the scale of this opportunity," says the CMD. Adds his 34-year-old son Amit Kalyani, who is the Executive Director: "Our future investments will be in the faster-growing non-automotive sectors."

That would be quite a transformation for a company that, till a couple of decades ago, was known more for its smokestack manufacturing prowess rather than its high-tech aptitude. BFL was started in 1961 by Kalyani's father to meet the forging needs of the fledgling Indian automotive industry. Over the '60s and '70s, BFL did its bit amidst a bevy of other forging companies in India to foster industrialisation in socialist environs. It wasn't until the junior Kalyani took over the reins in 1971 that BFL's penchant for technology came to the fore; archaic processes were mothballed and a bloated work force replaced with a more skilled one. But it was only in the last decade that Kalyani's international aspirations came to the fore. Since 2004, BFL has made a string of international acquisitions, including that of Carl Dan Peddinghaus GmbH, one of the largest forging companies in Germany. By 2008, BFL had become the world's second-largest forgings company.

RACHIT GOSWAMI

Amit Kalyani/ Executive Director/ Bharat Forge

"Our future investments will be in the faster-growing non-automotive sectors"

A logical progression at that stage, perhaps, would be to gun for the global *numero uno* position in forgings and strengthen its stranglehold on the automotive component sector; after all, automotive was accounting for close to three-fourths of revenues, and increasing that would appear a lucrative option (gross margins are in the 20-22 per cent region in auto components). That's, however, when Kalyani decided to make a crucial strategic shift to de-risk the business model and increase the non-auto share. A couple of quarters after taking that decision, the global automobile sector began to collapse in the wake of the recession triggered by the sub-prime crisis in the US. "We had already begun to steer the company in a different direction, but in a manner in which we can use the strengths of the company," says Kalyani.

The shift towards non-auto is inevitable at a time when the flagship business is under pressure, more overseas than at home (global operations account for close to 70 per cent of BFL's business). For the June quarter, BFL on a consolidated basis was in the red to the tune of Rs 46 crore. Overseas

SPREADING WINGS WITH JVs

Bharat Forge is bullish on energy.

JV Partner	Year	Product Focus	Project Status
NTPC	Feb. '08	Power plant equipment	Production to start by 2012
Alstom	Nov. '08	Wind turbines, generators and auxiliaries	Mundra selected for plant site; to come on stream by 2012
Areva	Jan. '09	Heavy forging for nuclear plants	Dahej and Krishnapattanam shortlisted for plant site; to start by 2012

sales have been falling for three straight quarters now, and are down by more than half since the July-September period of the previous fiscal.

The downturn has only accelerated BFL's push towards creating a larger non-auto footprint. That's evident in its increasing contribution: To 32 per cent of total revenues in the April-June period of the current fiscal, up from 28 per cent for 2008-09. The target is to hit 40 per cent by 2012 and go up to 75 per cent by 2015. "We will use our manufacturing capabilities to become an engineering conglomerate," says Kalyani.

Betting Big on Energy

One industry that Kalyani is betting big on is energy, right from wind to thermal to nuclear. In wind energy, for instance, BFL has a small presence: It designs, engineers and manufactures wind turbines at two units, one in Baramati, Maharashtra, and another in Germany (as the technical and engineering talent for such products are available there). The venture is in start-up phase and the projects in hand include installing a wind turbine in India and another in Europe. These wind turbines will be the first pure engineering product from the Bharat Forge stable. "We own the product, technology and the patent," says Kalyani.

Realising that he needs to build competencies to become a full solutions player (rather than just a supplier of components) in the energy sector, Kalyani has embarked on a string of joint ventures with Indian and global majors—NTPC for power plant equipment, Alstom for wind turbine and generators and Areva for heavy forgings for nuclear plants. Kalyani has yielded a majority stake to the partner in all the JVs, except in the NTPC venture, which are all expected to come on stream by 2012.

In aerospace, BFL is taking baby steps, beginning with the manufacture of structural components. Kalyani is keen to make engine components but admits that is some years away. Similarly, the company is looking at various components in transportation (railways and marine) and oil & gas.

THE BHARAT FORGE GLOBAL EMPIRE

How Kalyani became a global leader in auto components.

- **Bharat Forge:** Manufactures forged & machined components for auto & non-auto sector.
- **CDP Bharat Forge:** Supplier for forged chassis, engine components & non-auto systems.
- **Bharat Forge Aluminiumtechnik:** Manufactures aluminium-based auto components.
- **Bharat Forge Daun:** Manufactures products for construction machinery industry.
- **Bharat Forge America:** Supplier of critical components in chassis & engine.
- **Bharat Forge Kilsta:** The second-largest manufacturer of heavy crankshafts in Europe.
- **Bharat Forge Scottish Stampings:** Manufactures front axle beams & suspension arms.
- **FAW Bharat Forge:** JV with a Chinese company FAW Corporation for forging business.

Utilising Auto Capacities

The biggest challenge for Kalyani in the nearer term, however, is to utilise the huge auto capacities he's created globally—suddenly the tag of the world's second-largest forgings company in the world doesn't sound so attractive. Kalyani may have no option but to shut down some of the plants. Will he? If demand is going to come down by 25 per cent, it doesn't make sense to operate half a dozen plants, agrees the Chairman. But that may not necessarily mean shutting down capacity by that much. The BFL top brass is currently looking at how it can use its global capacities for its non-auto businesses.

The meltdown hasn't taken away Kalyani's appetite for international acquisitions. The big difference, though, is they will now be smaller, and of firms with specialised engineering skills. "We will replicate the same model (acquisitions of forgings firms) in the non-automotive sector," says Kalyani.

In the nearer term, however, BFL has to get its house in order on the bottom line front, even as it lives with the reality of a sagging topline. "We have done a lot of work on trimming down the costs so even at a lower level of sales we hope that we will have an equivalent amount of profits," says Amit Kalyani.

The senior Kalyani's focus, however, is on the big picture. Just as his father passed on a local forgings firm, which he transformed into a global giant, the Chairman might be hoping that his son is able to play a crucial role in enabling the ongoing revamp—and eventually take over the reins of a company with a larger size and scale and with more specialised skills. Perhaps, Kalyani will then find time to hop onto one of his Harley cruisers. ⊙

COMMENTS & FEEDBACK AT
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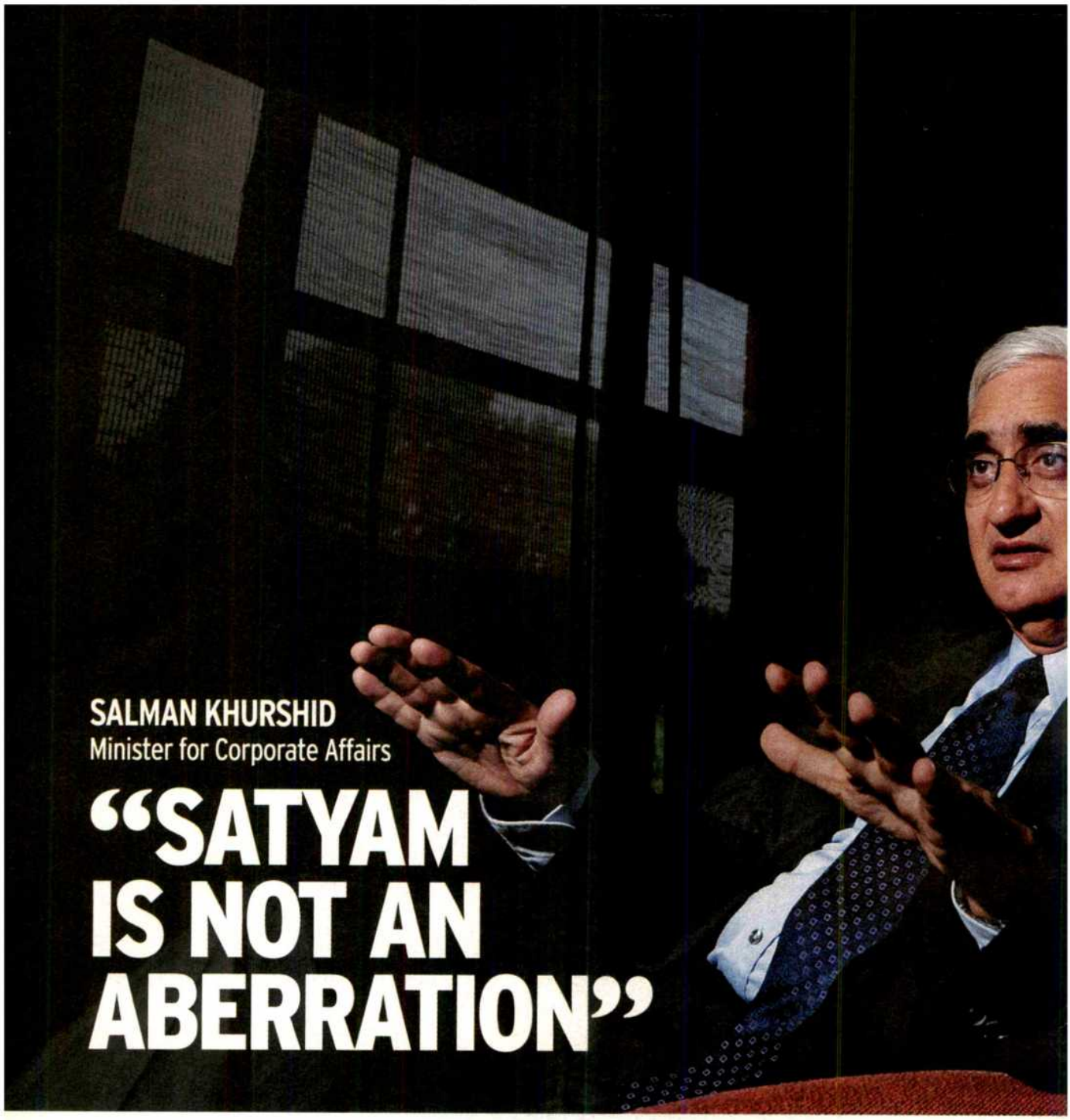

SALMAN KHURSHID
Minister for Corporate Affairs

"SATYAM IS NOT AN ABERRATION"

If he can break the jinx of the Companies Act that successive governments have tried—and failed—to modernise for over a decade now, Minister for Corporate Affairs **SALMAN KHURSHID** *would go down in history as the one who truly liberalised Indian Inc. from the red tape of stifling rules and meaningless approvals. In his other role, that of the Minister of Minority Affairs, Khurshid has an ace up his sleeve over the sensitive issue of reservation for Muslims in the private sector. He discussed all these and other issues facing Corporate India today in an interview with* **PUJA MEHRA.** *Excerpts:*

You've reintroduced the Companies Amendment Bill in Parliament. What's your strategy for its quick passage through the Standing Committee?

It'll get through now. The Standing Committees have not been announced yet. Once the chairman is announced, we will request for a fast track. The Parliamentary Affairs Minister has promised that he will speak with the Speaker about giving a timeline to the committee for giving its report.

There are complaints that the ministry's approvals for

VIVAN MEHRA

"WE ARE LOOKING AT THE POSSIBILITY OF HAVING SOME MINIMUM QUALIFICATIONS FOR INDEPENDENT DIRECTORS"

revisions in salaries of managers at many companies are pending for nearly 12 months now...

I don't let a file sit here for even a day. I get something, we clear it immediately. Our attitude is let's-try-and-clear-as-many-as-possible because as soon as the Bill is passed all this will not come to us—it will finally be the shareholders' decision.

Have you made any additions to the Bill in the aftermath of the Satyam fraud?

No. Most of the Satyam-type critical issues had been anticipated and are a part of the Bill. It's a vast improvement on the current system. The main concern is the situation in which class suits couldn't be filed in this country like they were elsewhere—in the US, for instance. That's the best way to protect the investor after something has gone wrong. The general intent of the Bill is to ensure that nothing goes wrong, though not by imposing unreasonable restrictions on the functioning of companies, but by ensuring that there is complete transparency and disclosures so that minority shareholders can take informed decisions on what's good for their company. If the shareholders take an informed decision then their right to claim against the company also gets restricted, but they must get that right.

At the same time, you can't keep looking away where there has been repeated failure and wrong-doing. So I think the Bill has a very sensible balance of all the issues that emerge from the Satyam scandal. It will be both a convenience and an adequate supervision of how companies function.

The Bill takes the company law framework to a rules-based system where you won't have to keep going back to Parliament for changes, but bureaucrats could get greater discretionary powers...

You'll not make the rules everytime something comes in front of you, but periodically you can make the rules. The idea is that whatever you do must be clearly known in advance. The whole Satyam backdrop... what is it that they should have known, done... there is ambiguity, open-endedness about it. That causes a great deal of discomfort amongst independent directors . We now want to ensure that they know exactly what is required of them. We're defining

their role very clearly now.

We are also thinking (it's not in the Bill right now) whether we should have a simple system of training as a sort of pre-qualification before someone becomes an independent director. And then, an actual disclosure statement that you are now familiar with your duties and functions and are conscious of what you are supposed to do and are responsible and accountable for it. Of course, nobody is looking for centralised certification by the Government of India. Shareholders are the best judges and they should be free to decide who should be their independent directors (the Bill proposes changes in the process of their appointment), but there can be minimum qualifications.

How far has the Satyam investigation gone?

The Satyam investigation is now for all practical purposes complete. The CBI has sought permission to file a second charge sheet. We got our preliminary reports sometime ago and the final report will come soon. The Enforcement Directorate and Internal Revenue continue to look at the siphoning of assets/money. Those things are not necessary for completion of our prosecution. We are all set and ready and are waiting for the high court to nominate a fast track process. Our case is against the seven people who are primarily responsible for what went wrong. The charges we are concerned with are entirely on violations of company law. Cheating and forgery charges are coming from the CBI through the court. The penalties that these would attract would be ten years and beyond imprisonment. As far as our case are concerned, there will be fines, custodial sanctions etc. Our case is a very strong case.

Satyam's auditors seemed to have slept through a mismatch between the company's reserves and debt position...

It's not just incompetence. It's more than incompetence. That's why both the auditors of Satyam are getting the rap in a criminal court. On the basis of statutory disclosures and filing companies make we will now like to build an early warning system so that if something is going wrong in the company we can spot it. The early warning system, a report on which is coming to me soon, would catch this Satyam kind of thing.

Are more stringent requirements of company auditors likely to be laid down?

We're still talking to the Institute of Chartered Accountants. I'm sure they will agree that something has to be done but once the consultations are over we will take a view. I do not agree with their view that Satyam is an aberration. It's a systemic problem.

One of the two auditors of Satyam has pending serious charges against him for more than six years. Clearly, speedy action from ICAI may well have prevented Satyam...

This is flagged for a response.

What's your vision for the Serious Fraud Investigation Office (SFIO), its real place in company law and Corporate India?

They can't be a parallel police or investigative agency like the CBI. SFIO has a specialised responsibility of investigating violation of company law that lead to criminal culpability as they have in the case of Satyam.

"SATYAM'S AUDITING LAPSE IS NOT JUST INCOMPETENCE. IT'S MORE THAN INCOMPETENCE. THAT IS WHY BOTH THE AUDITORS ARE GETTING THE RAP IN A CRIMINAL COURT"

They won't look at the IPC-type violations. It will need specialised expertise such as forensic audits, reading documents and tracking violations. For this, we have now given them adequate personnel. When Satyam happened we had a manpower problem which we no longer have. People had to be moved out from here to Andhra Pradesh and track down the trail across the globe. The issues about the investigative procedures and powers are being resolved through the new Bill that will grant the SFIO powers to search and seize. In critical moments, you have to be able to get your hands on the documents. In the case of Satyam for everything you needed a court order. So they are now lean and mean and extremely competent.

As the minorities' minister what is the government's stand on reservations in the private sector?

For the private sector even Dalit reservation has not been accepted, so you can hardly accept minority reservation. I'm not for or against it. Somebody could do it if they wanted to do it. I won't oppose it. But I'm not going to force companies for something against which there will be a massive reaction. So what we have done for Dalits is to get the private sector in partnership with the public sector for affirmative action. So do it for minorities too. The corporate sector has started sending six-monthly reports to the Prime Minister's Office on this. ⊙

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ABOUT TIME YOU EXPLORED O.I.L.

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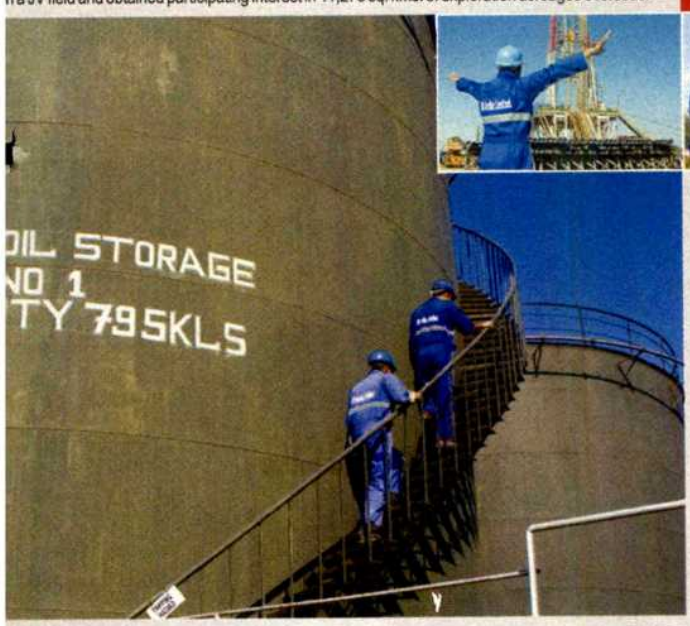

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For almost the whole of July and August, Biocon Founder Kiran Mazumdar-Shaw has been on a trip—many trips, actually—racking up frequent-flier miles across the US and Europe to meet customers, partners and regulators. The trigger: Biocon's landmark deal signed June 29 with US generics major Mylan Inc.

The Mylan deal is a key component of her plan to turn India's best-known biotech firm into a global player, a research-based powerhouse turning out innovative drugs and biosimilars (the generics of the biotech world) and give Biocon a global footprint.

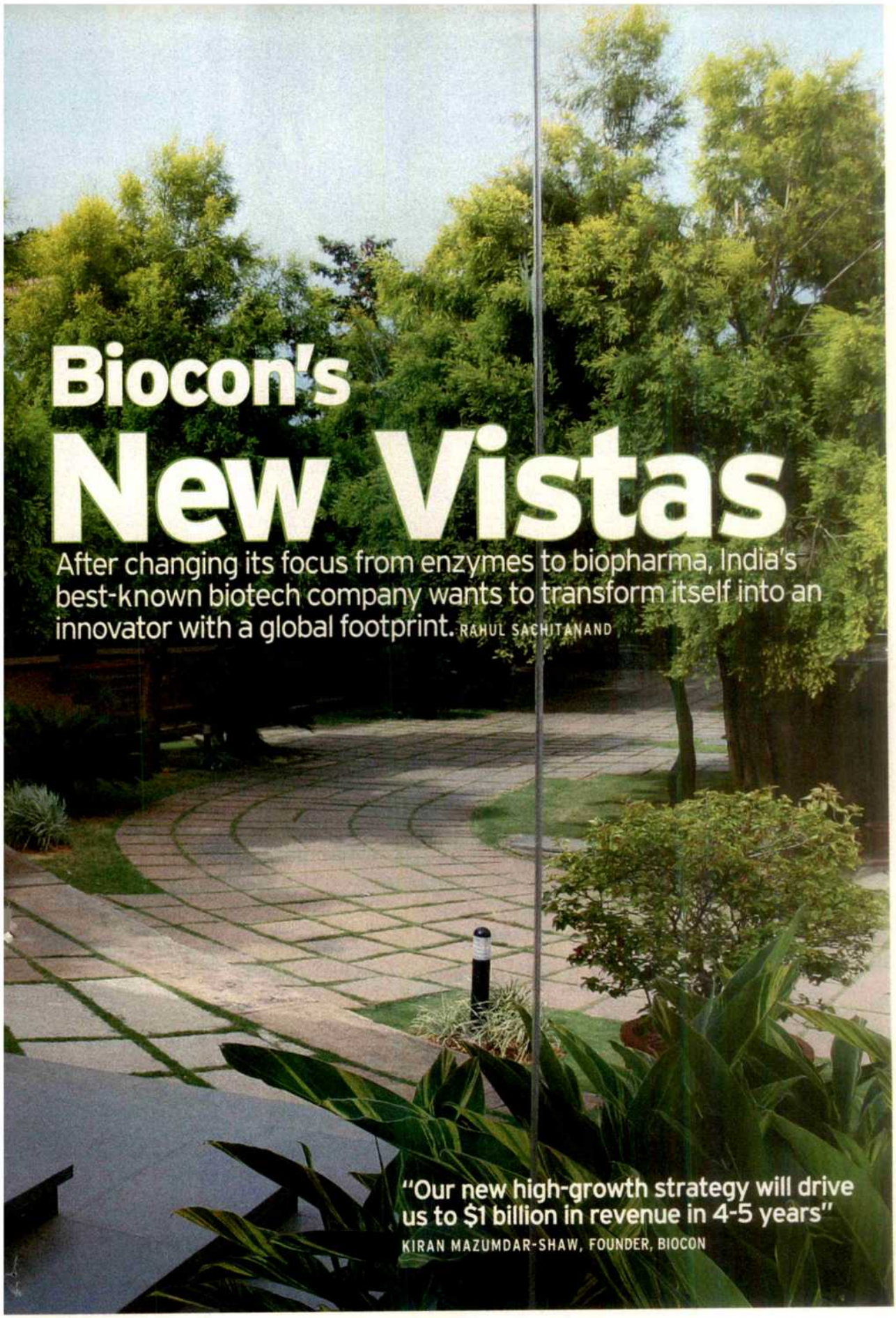
"I want Biocon to be a leading innovator from India," she said, back home after the last flight. In fact, Mazumdar-Shaw, who became India's richest woman when Biocon listed in 2004, has her eyes set on a place among the world's top 10 biotech firms.

Today, Biocon, which began as an enzymes maker, gets over 80 per cent of its revenues from traditional generics and biosimilars. According to market researcher Frost & Sullivan, biosimilars, which are "similar" to biopharmaceuticals but not the exact thing, could generate sales of around $16.4 billion (Rs 78,720 crore) globally by 2011, and account for 10-15 per cent of the overall pharma market.

With traditional generics under price pressures, Biocon figured it was time to get into innovations to combat cancer, arthritis, diabetes and Alzheimer's disease.

Mazumdar-Shaw wants Biocon to go places—first Russia, West Asia and parts of Europe, and then the bumper US market.

DEEPAK G. PAWAR

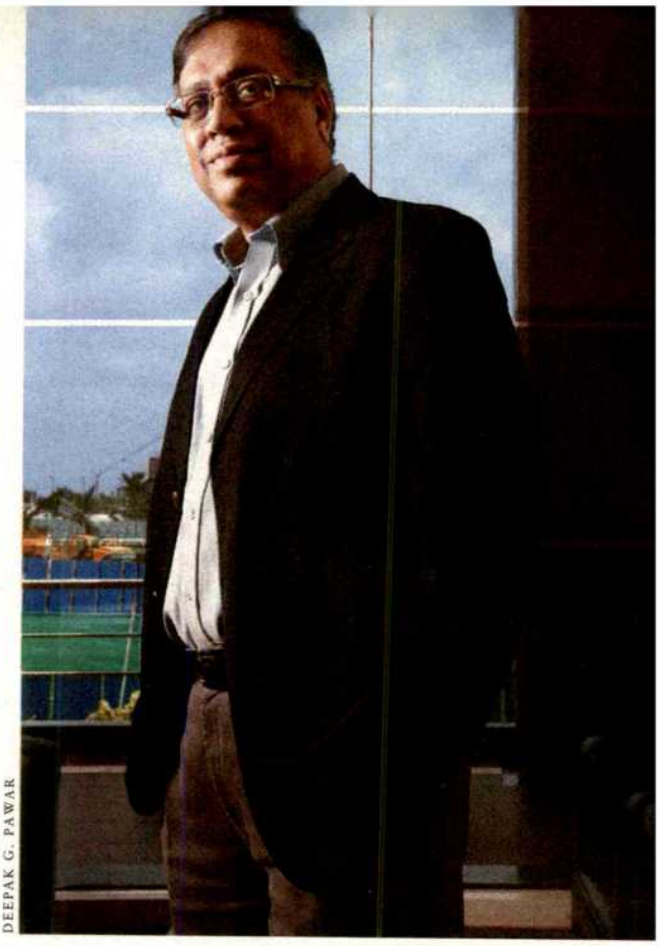


Biocon's New Vistas

After changing its focus from enzymes to biopharma, India's best-known biotech company wants to transform itself into an innovator with a global footprint. RAHUL SACHITANAND

"Our new high-growth strategy will drive us to $1 billion in revenue in 4-5 years"

KIRAN MAZUMDAR-SHAW, FOUNDER, BIOCON



DEEPAK G. PAWAR

Bonding with the Best...

Realising that it's a tough and expensive job getting biosimilars past regulators in the lucrative western markets, last year she acquired Germany's AxiCorp GmbH, a major importer. And this June's deal with Mylan will help her enter the US. "As a standalone Indian company, we don't understand many nuances of entering these markets," Mazumdar-Shaw says. "Mylan brings its generics clout and people with experience of entering and launching biosimilars in new markets."

Spotting opportunities is not new for Mazumdar-Shaw: Two years ago, she sold the original business of enzymes and turned to biopharma. Then followed a deal with US-based Abraxis BioScience Inc. to market a biotech drug for breast cancer in South and West Asia. Biocon also set up a venture with Abu Dhabi-based Neopharma to tap West Asia. Says Mazumdar-Shaw: "... as that market (enzymes) got commoditised we made a clean break from it and got into branded formulations and biosimilars. Now these biosimilars will support and fund a lot of our innovation initiatives."

> "We also want to evolve our business beyond the current free-for-services operation"
>
> GOUTAM DAS/FOUNDER, SYNGENE (Biocon's contract research outfit)

Her boldest step, though, was the €30-million (Rs 207 crore) acquisition of AxiCorp, giving her a foothold in Germany, where regulators are not averse to biosimilars. "We have looked at various kinds of partnerships to get global footprint. Everyone sees biosimilars as a massive opportunity, but the reality is that you have to be able to adequately finance and market your products," she says.

"There is massive price erosion in the generics conventional market, but the generics market is much less crowded, since there are high entry barriers," says Arun Chandavarkar, COO, Biocon. But the AxiCorp deal's success depends on how soon Biocon can get EU approval for its insulin.

...was the Easy Part

Mazumdar-Shaw concedes that it could be years before Biocon can decide on the success or failure of this venture. Germany is a low-hanging fruit; to become a global player, Biocon will have to crack the lucrative markets of the US, UK and France. "Over the next 5-10 years we want to focus on innovation from Biocon. We want our new high-growth strategy to drive us to $1 billion in revenues in four-five years," says Mazumdar-Shaw.

That sounds ambitious. For one, the US Food & Drug Administration is wary of approving biosimilars because of safety and efficacy concerns. Then, the Senate has passed a bill giving 12-year exclusivity to US firms. As Sujay J. Shetty, Associate Director, Pharma Life Sciences Advisory, PricewaterhouseCoopers, says: "there is a fear of the unknown among regulators since the safety and efficacy of 'similar' drugs needs to be proved."

There are other challenges like the markets meltdown and the wild currency fluctuations. The markets collapsed just after Biocon sold its enzymes business and upset its plans to spin off and list Syngene, its contract research outfit. Also, currency fluctuations caused losses of over Rs 150 crore. "Our plans have been delayed by a couple of years, but we do plan to list Syngene and later work on spinning off Clinigene," says Mazumdar-Shaw, referring to the clinical trials firm.

In for the Long Haul

For the past few years, Biocon and others had been minting money with their cheaper, generic ver-

GENERICS OF THE FUTURE

What are biosimilars and why are pharma players rushing to make them?

- Unlike generics, biosimilars are similar but not identical to the originals.
- Biosimilars offer more targetted treatment of diseases.
- Of the 22 drugs approved in 2007 by the USFDA, 13 were biosimilars.
- Players such as Teva and Sandoz are stepping up their investments in biosimilars.
- Biosimilars offer bigger production challenges and safety issues, so regulators are tough.

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DEEPAK G. PAWAR

sions of cholesterol-busting statins patented by western multinationals. But, with a whole lot of players getting into the generic statins business, prices have plunged and Biocon has not been able to come up with a replacement category.

A Citigroup note says: "Biocon remains primarily an API (Active Pharma Ingredients) player with high exposure in the statins segment....The setbacks on pravastatin and simvastatin in the US... reflect the high sensitivity of Biocon's earnings to a delayed launch."

Biocon cannot expect biosimilars to plug the gaps in the short term, as the biosimilars business has been reporting flat revenues for the past 4-5 sequential quarters. Nor can it expect a boost from puny Syngene and Clinigene.

> "Analysts only see our R&D as an expense on the balancesheet ...not as an investment into the future"
>
> ARUN CHANDAVARKAR/ COO, BIOCON

Biocon has to increase investment in R&D, too. Its Finance Head Murali Krishnan says this could go up from around Rs 60 crore or around 6 per cent of its top line last year to Rs 80-100 crore. The company has also begun consolidating its R&D resources into a single entity—Biocon Research—to give additional impetus to its research and to locate in an SEZ, for tax benefits.

According to Harish Iyer, Biocon's R&D Head, the firm has a strong pipeline in biosimilars, with oral insulin, BIOMAB (monoclonal antibody) and EGFR (epidermal growth factor receptor) for treatment of head and neck cancer leading the way. Mazumdar-Shaw says: "We have IN105 (oral insulin) midway through phase 3 trials and other drugs such as BVX20 monoclonal antibody and IATRICa drugs are progressing on schedule, too."

On Discovery Channel

To fuel its R&D efforts, Biocon will continue with traditional generics. Biocon will also tap into the 20-30 per cent growth being reported by Syngene, which offers drug discovery services to big names like Merck and Bristol-Myers Squibb.

"We also want to evolve our business beyond the current fee-for-services operation," says Dr Goutam Das who started Syngene 15 years ago and in which Biocon has invested $75 million (Rs 360 crore). "We're talking to customers to consider a risk-milestone-reward possibility...," he adds. In other words, instead of going for the typical fee-for-services model, Biocon is eyeing the more lucrative role of taking on drug-development risks for the partner.

Can Mazumdar-Shaw succeed in using this products-services hybrid to funnel resources into her discovery pipeline? Analysts say Biocon's biosimilar projects are behind track on multiple programmes (especially among insulin and MABS). Not so, says coo Chandavarkar. "Analysts only see our R&D investments as an expense on the balance sheet ...not as an investment in the future," he argues.

Even as the global economy struggles through the slowdown, two big-ticket deals are pointers to the future. In March, Swiss pharma giant Roche paid $46.8 billion (Rs 2,24,640 crore) for Genentech to get into biotech firmly. Closer home, Sanofi Aventis acquired Mérieux Alliance's stake in vaccines-maker Shantha Biotech for $784 million (Rs 3,700 crore).

One of India's biotech pioneers, Biocon is also India's biggest bet in the business. So far, Biocon has been good at identifying its core skills and capitalising on them. Now, Biocon will need to translate its manufacturing advantage in biosimilars into a global marketing footprint. Or become just another target. ⊙

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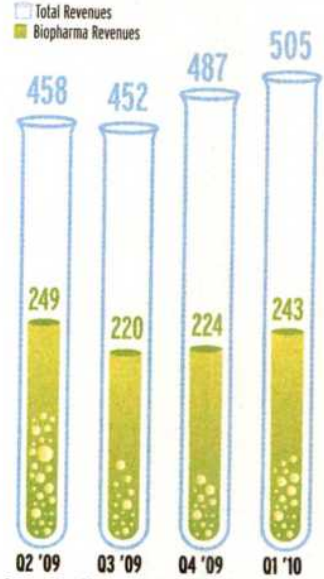
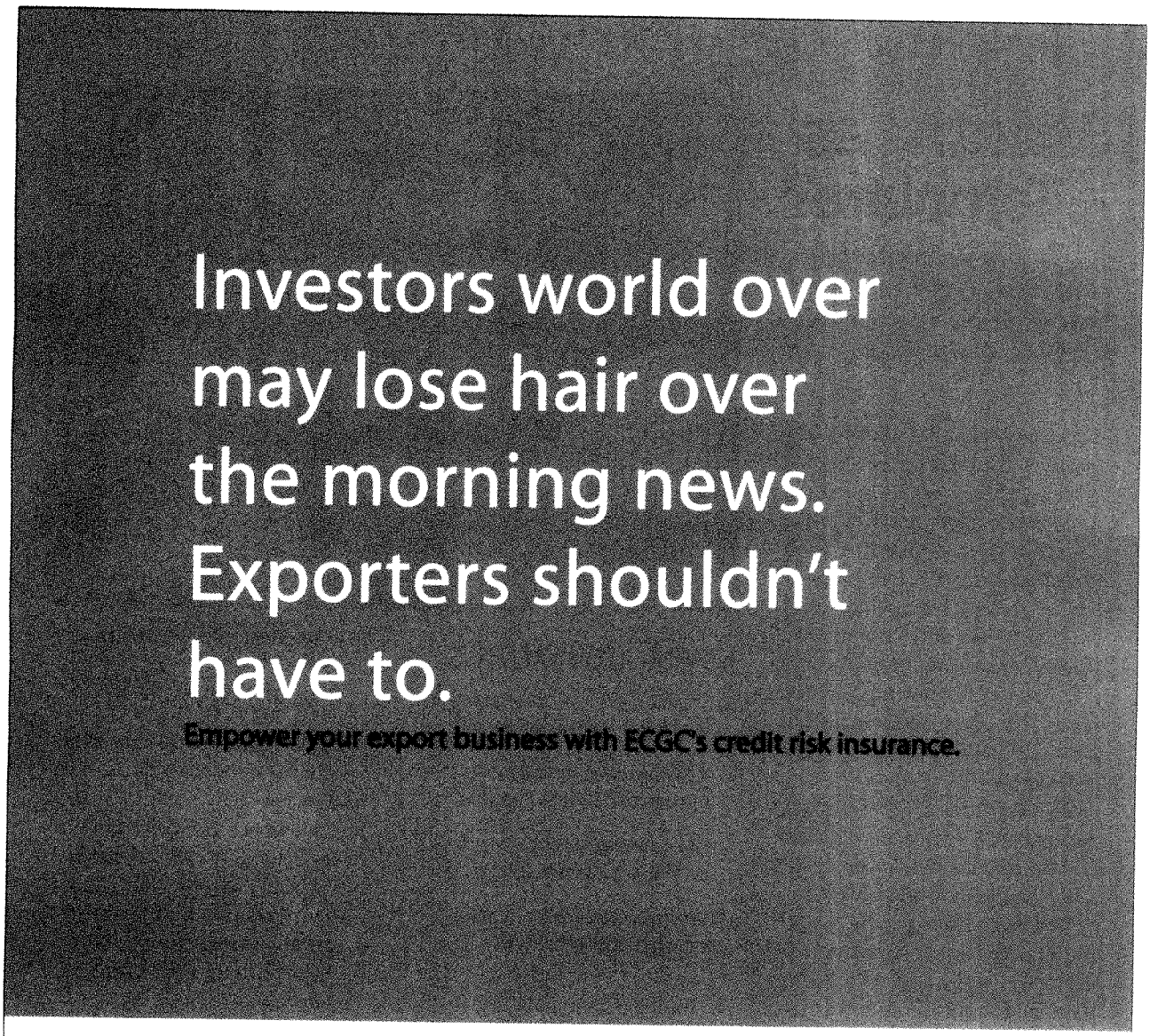
GROWTH PANGS

Biopharma growth has been hit by forex swings and growing price erosion.



Revenues from Biopharma plus those from Axicorp and others (Syngene+Clinigene) are total Biocon revenues.
Value in Rs crore
Source: Company

KULDEEP



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Shantha as a Template?

The vaccines innovator has always had foreign partners to help with funding. Is it a viable model? E. KUMAR SHARMA

If Kiran Majumdar-Shaw is betting on Biocon's innovations and manufacturing skills to become a global biotech player, vaccines maker Shantha Biotechnics has been attracting cash-rich foreign partners to power its innovation and manufacturing skills in vaccines. Sanofi Pasteur's recent takeover of Shantha once again highlighted India's attraction: the French giant spends €1 million (Rs 7 crore) a day on research.

Industry analysts are already reading Sanofi Pasteur's acquisition of Shantha as a validation of the Indian manufacturing prowess in the deal that values Shantha at eight times its revenue. Says Utkarsh Palnitkar, Partner at Ernst & Young India, who until recently was the Partner and Industry Leader, Health Sciences, at E&Y India: "The biotech industry in India is nascent and such a deal signifies global recognition of its promise."

Indian companies have achieved considerable strengths in vaccine manufacturing, which has become a focus area for almost all the large pharma players, notes Palnitkar. He says Indian players afford an opportunity both in terms of collaboration and acquisition to rapidly increase their manufacturing base as well as geographic reach.

Was this why Sanofi Pasteur, the vaccines division of the Sanofi-Aventis Group, paid Rs 3,700 crore for a company that is expecting to close this year with revenues of Rs 450 crore?

A. PRABHAKAR RAO

Shantha Biotechnics Lab: Focussed on developing vaccines

HOMING IN ON VACCINES

- Shantha works with Unicef and others to supply in international markets.
- It has developed and made India's first recombinant Hepatitis B vaccine.
- Its tetanus vaccine comes prequalified by WHO for supplies to UN agencies.
- Coming up: vaccines for rotavirus, conjugated typhoid and HPV.

"We paid the right price for a deal considered strategic for Sanofi Pasteur," says Alain Bernal, VP, Communications, Sanofi Pasteur. "We consider the acquisition of Shantha as a unique opportunity to complement our offer of solutions to public health authorities and international non-governmental organisations (NGOs).

Shantha's Founder, K.I. Varaprasad Reddy, who has a stake of around 13 per cent in the company, is more to the point: "Shantha needed a global strategic partner like Sanofi to guide and finance its projects."

The Hyderabad-based company, he says, has always been an innovation-driven player, investing over a quarter of its earnings in research and development, but funding has always been tough.

While Biocon is much bigger in terms of size and in a different product and market space, Shantha also began in the little league, with a meagre investment of Rs 15 crore. But then, Reddy figured out early on that making vaccines involves huge investments. Reddy's solution: get deep-pocketed foreign partners.

First it was the Omanis and some non-resident Indians. When this group moved out in 2006, in came French vaccines major Merieux Alliance , followed by Sanofi now.

The $40 billion (Rs 1,92,00 crore) Sanofi is the world's leading provider of polio vaccines, largest producer of flu vaccines and is also the world's largest provider of meningococcal vaccines. Sanofi sold 1.7 billion doses of vaccines last year.

Krishna M. Ella, Founder of Bharat Biotech International, and Shantha's competitor in the vaccine space, cautions that the global interest in India is for vaccines and not really for biotech. And Indian players have to look for global alliances because vaccines need huge investments. Ella should know: he is investing Rs 500 crore on the development of just one vaccine.⊙

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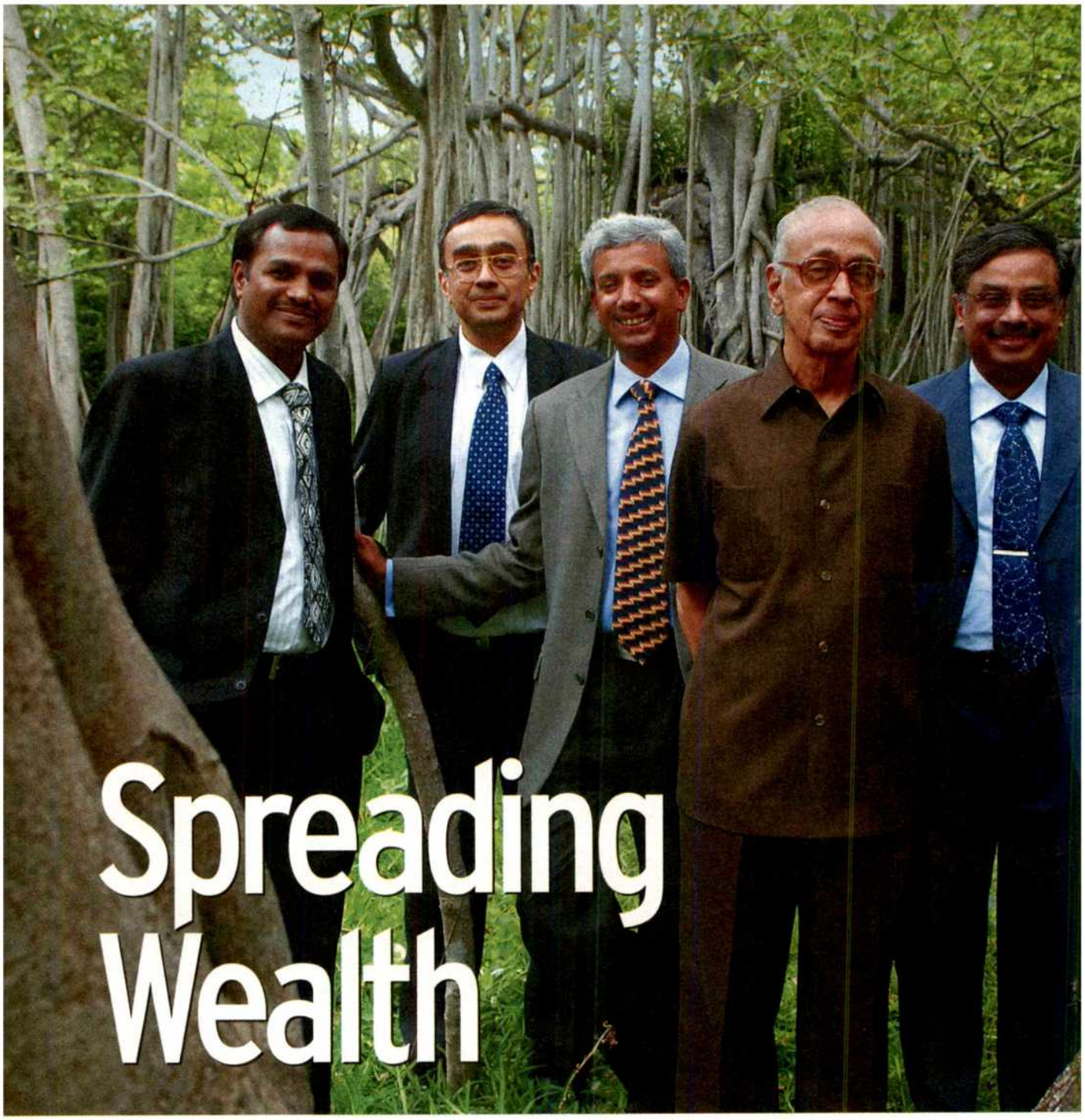
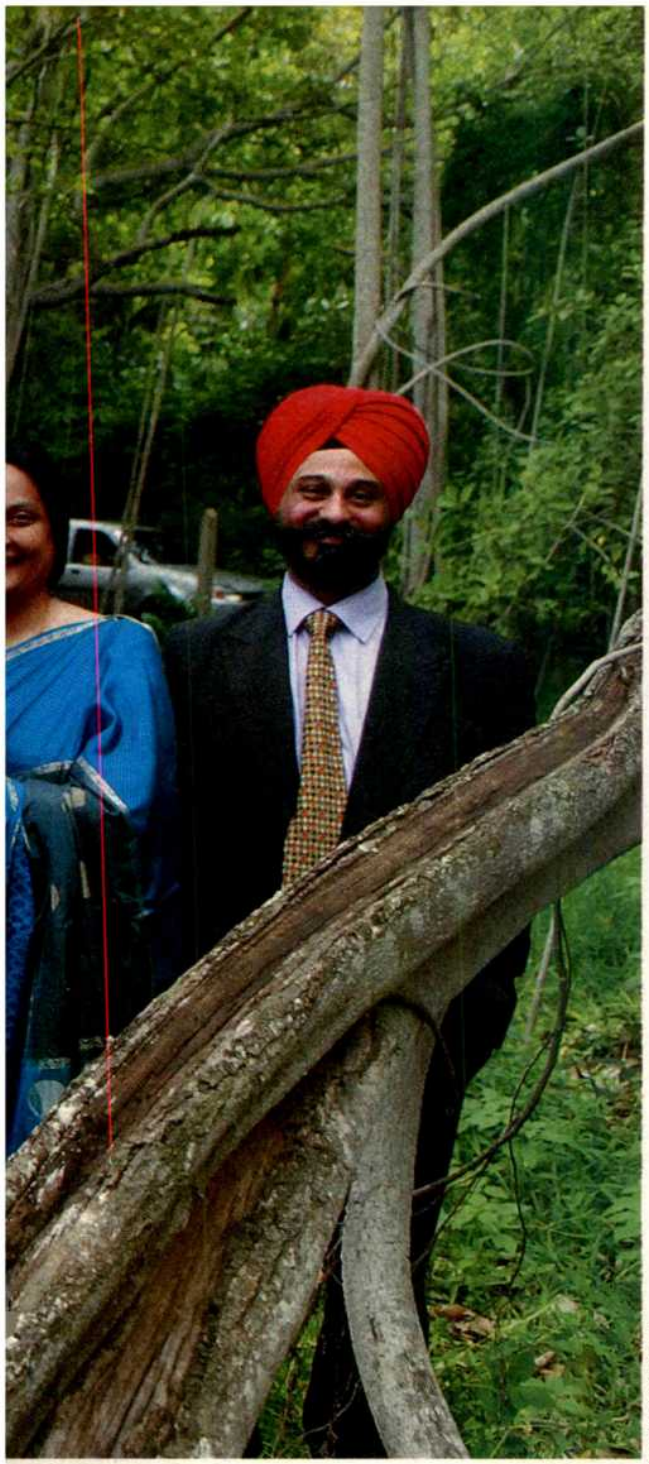


Spreading Wealth

The Shriram Group has a unique way of creating entrepreneurs both within and outside the organisation. NITYA VARADARAJAN

S. Abhaya Kumar, Vice Chairman, LifeCell International (56), was both excited and worried. He was excited because TRICell, a company that he recently floated to do clinical research and trials on the therapeutic usage of stem cells, was an excellent business proposition. But with the world just about getting to know about stem cell research and the typical long drawn process of clinical researches, funding the project was proving to be difficult. He approached the Shriram Group, whose Founder-Chairman R. Thyagarajan readily agreed to take 20 per cent stake and fund Rs 7 crore. "As a partner, the Shriram Group never interferes in the running of the organisation. It offers valuable inputs



H K RAJASHEKAR

Shriram Group creates wealth by...

- Lending to over 6 lakh truck owners. One in five trucks on Indian roads is funded by the group.
- Managing chit funds worth Rs 3,500 crore every year across South India.
- Providing consumer finance to over five lakh customers, especially SMEs.
- Offering life and general insurance cover to over 3 lakh people.
- Undertaking turnkey engineering projects in the fields of energy, waste water pipelines etc.
- Building residential and commercial properties, including SEZs.
- Developing software products in life sciences and production-supply chain management verticals.

...And promotes entrepreneurship

Outside the group by

- Funding entrepreneurs directly and through the Rs 100-crore TVS-Shriram Growth Fund.
- Helping people below poverty line, especially women, start their business through microfinance.

Within the group by

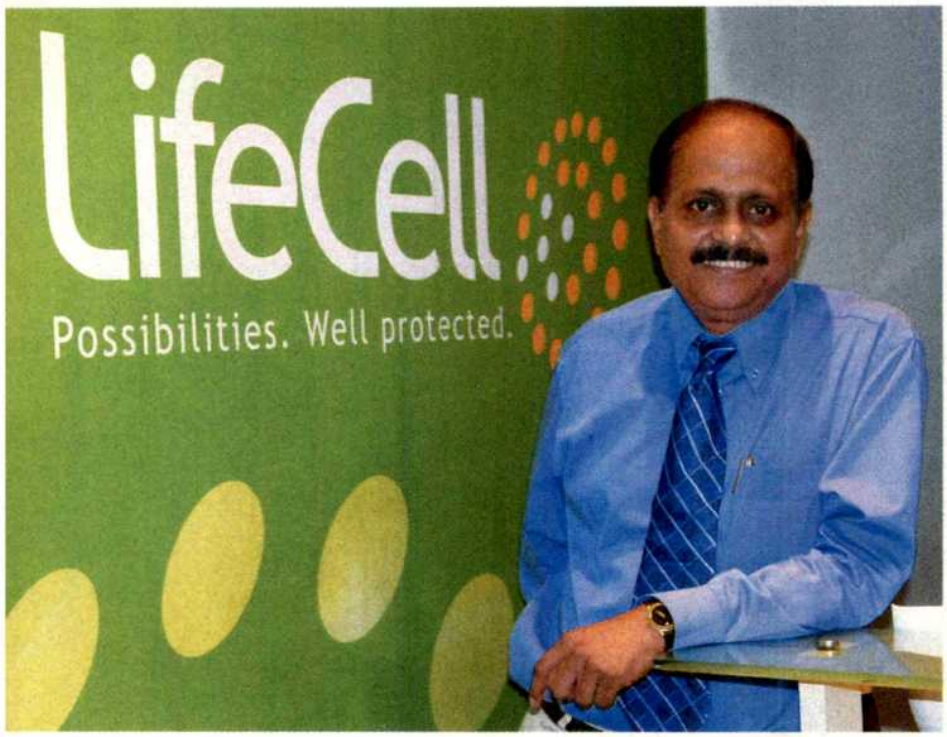
- Sharing the promoter's wealth with the top managers and thus making them partners.

Partners, not just top management: (L-R) Murali Malayappan, MD, Shriram Properties; T. Shivaraman, MD & CEO, Shriram EPC; H.R. Srinivasan, Director, Infrastructure Division, Shriram Group ; R. Thyagarajan, Founder-Chairman, Shriram Group; R Sridhar, MD, Shriram Transport Finance Company; Akhila Srinivasan, MD, Shriram Life Insurance; and J.S. Gujral, CEO & MD, Shriram General Insurance

on regulations, taxes, governance and on anything we ask." Kumar says. Manipal Accunova, a contract research organisation and a leading player in biotechnology and the clinical structure space, also has a similar story to tell.

Interestingly, the Chennai-based Shriram Group, which has seen its profits (excluding closely-held firms) surge from just Rs 83 crore in 2004-05 to Rs 834 crore in 2008-09 (a compounded annual growth rate of 78 per cent) with revenues of Rs 7,390 crore (2008-09) and assets worth Rs 38,500 crore under management, is neither a venture capitalist nor a project finance company. Bulk of its revenues (Rs 6,034 crore) come from financial services—truck finance (it funds one in every five trucks that run on Indian roads), consumer loans, chit funds and the insurance business. It also operates in the IT, realty and engineering sectors.

"We believe in encouraging enterprise and entrepreneurship," explains Thyagarajan in a very simplistic way. In fact, creating entrepreneurs is a passion for him—something he has done for years. What is inter-



NISHIKANT GAMRE

"Shriram offers valuable inputs on regulations, taxes, governance and on anything we ask"

S. ABHAYA KUMAR/ VICE CHAIRMAN/LIFECELL INTERNATIONAL

esting is that now he has put in place a formal structure to foster entrepreneurship not only outside but also within the group.

The Trust

In November 2006, Thyagarajan did something that he always wanted to do. He made good his promise of sharing his wealth with his management team who had contributed to the group's growth. He floated a trust to govern the holding company, Shriram Capital, which houses the promoter's shareholding. Through the trust, 75 per cent of the promoter's holding would be transferred to the management team upon their retirement, thereby making them owners of the group. There are two tiers of owners. Those who have contributed the maximum for the group's growth, currently 12 members (with a scope to increase this to 22) are in the top tier and would get on an average 2 per cent of the shareholding. The next tier comprising 22 members (with a scope of increasing this further by another 8 members) would get an average 1 per cent. Thyagarajan himself will get only 2 per cent along with others in top rung. The remaining 25 per cent, currently valued at Rs 500 crore, has been reserved for entrepreneurship development. TRIcell and Manipal Accunova are the earliest beneficiaries from this trust. That apart, the group has joined hands with TVS Group and invested (again from the trust) in the Rs 100-crore TVS-Shriram Growth fund, a 50:50 venture fund initiated by TVS Capital. This fund would look at mid-cap businesses from emerging cities.

The entrepreneurship promotion is not restricted to organised businesses alone. Microfinance is the tool that the group is using to drive entrepreneurship in the lower strata of the society. Akhila Srinivasan, Managing Director, Shriram Life Insurance, who has taken up the work, is currently redistributing the profits of Shriram Consumer Finance this way and has helped uplift one-and-a-half lakh women out of poverty. "We have helped fruit sellers, tyre retreaders and others to set up small shops. About Rs 12 crore is the current year budget with a plan to tap 35,000 beneficiaries," she says.

Wiser by Experience

Though Thyagarajan's passion for entrepreneurship development is well-known, what makes the top management follow his footsteps? They too have taken up the mission very seriously. More than latter's influence, the reason appears to be the senior managers' experience within the group. Says Murali Malayappan who became Managing Director of Shriram Properties at the age of 29, "Thyagarajan trusted me when I was wet behind the ears with the venture and gave me full freedom in running it." Similarly, R. Sridhar, Managing Director, Shriram Transport Finance, was empowered

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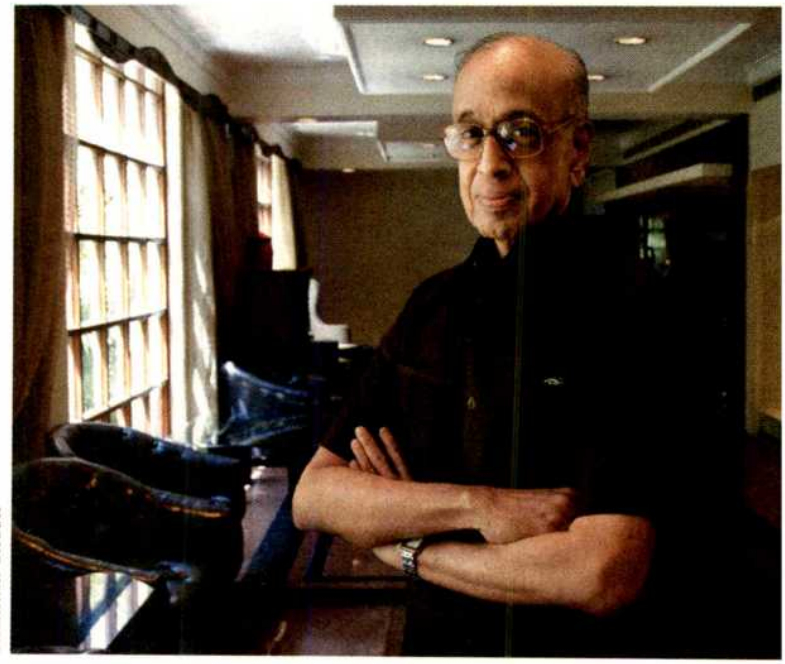
many years ago by Thyagarajan to set up the western operations for truck financing 'just like that'. "We were free to take decisions that we deemed fit, and were backed at every stage," he says.

For instance, H.R. Srinivasan, currently planning the group's foray into infrastructure development, headed Sembawong Shriram, a joint venture company in the logistics field in 2001. He expressed a desire to be on his own after the Shriram Group exited the JV. He decided to foray into the IT product space with funding from the group. Today, the company, Take Solutions, which is into life science products and supply chain management products, with many intellectual properties in its name, is seeing better returns than most other IT product companies. Srinivasan has since handed over the reins to others and re-joined the group.

J. S. Gujral, Managing Director, Shriram General Insurance, insisted that he would manage operations out of Jaipur and disdains answering phone calls from head office. Says Thyagarajan with a grin: "He is whimsical, but I am not complaining. After all, as a CEO he has to implement his ideas and not ours." Whether it is T. Shivaraman, currently Managing Director, Shriram EPC, or Executive Directors like Subhasri Sriram of Shriram City Union Finance, everyone has experienced the freedom of growing their companies like entrepreneurs and will be rewarded like one—with ultimate ownership upon retirement.

Says Akhila Srinivasan, who actively toes the line for helping entrepreneurs, "We have driven wealth creation within, and we believe that wealth creation is possible only if entrepreneurship is encouraged—this culture is now ingrained in us."



SHEKHAR GHOSH

"We believe in encouraging enterprise and entrepreneurship"

R. THYAGARAJAN/FOUNDER-CHAIRMAN/SHRIRAM GROUP

The Business

The Shriram Group makes its money from financial services. One of its most successful companies, Shriram Transport Finance Company, specialises in financing the credit-starved used truck driver/owner segment. It has developed a risk-proof lending model and also funds micro requirements of truckers like tyre replacement. So well developed is its pan-India model, that last year when most NBFCs suffered, this company posted a 49 per cent jump in its income (to Rs 3,732 crore) and 57 per cent growth in its net profits (to Rs 612 crore). Its NPAs have stayed below 2.2 per cent for the last five years. Shriram Consumer Finance gives personal loans with a special focus on the small and medium enterprise segment. Its income is Rs 934 crore and net profit Rs 117 crore. Shriram Life insurance, a three-year-old company, has a Rs 1,000-crore premium income with a sum assured of Rs 3,600 crore, having sold over 3 lakh policies. Shriram Chits and Investments, a chit fund company, does business of Rs 3,500 crore every year. The group, through Shriram EPC, has a Rs 1,000-crore presence in the engineering segment, while Shriram Properties develops townships in Kolkata, Vizag, Bangalore and Chennai.

The Shriram Group also had its share of difficulties when the NBFCs went through a major crisis in the late 1990s. Its survival then, and rapid pace of growth today, has been possible as it understands and values its partners who bring in the capital for further growth. Its relationship with private equity investors is a good example. Over the past seven years, PE investments worth Rs 3,323 crore have flowed into the group. Some, who have cashed out like Merrill Lynch, Uno Investment and Citicorp, have done so happily having made profits ranging from 100 per cent to 774 per cent over a two-to six-year period. The Shriram Group, incidentally, has as many as 20 PE investors. Puneet Bhatia, Country Head-India for TPG's Asian business, whose investments in the group will soon total Rs 1,000 crore, sums up the reasons for his investment: "The group embodies the true spirit of partnership, enables significant wealth creation, builds strong business models, and has best-in-class corporate governance. What more!?" ⊙

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Dilip Shanghvi's Multi-pronged Defense

India's most valuable pharma firm has stumbled, as a US subsidiary gets on the wrong side of the FDA and a handful of exclusive arrangements come to an end. Can founder Dilip Shanghvi get Sun Pharma back on the road to supernormal profits?

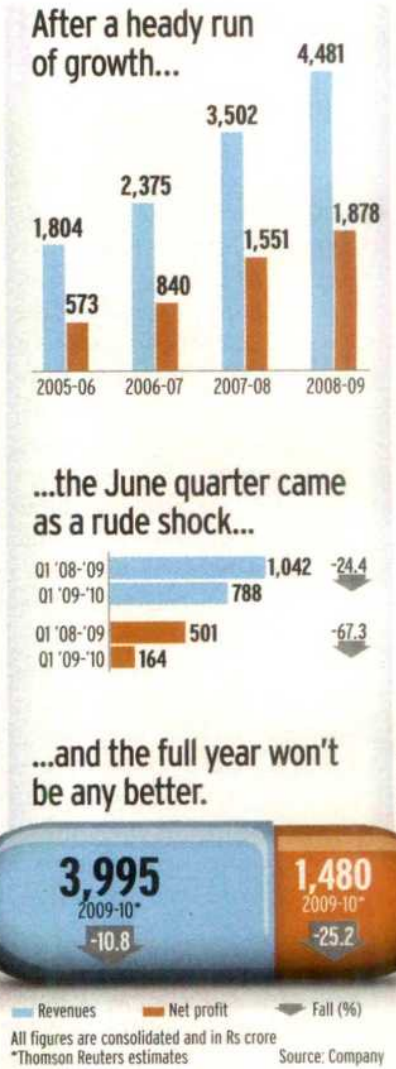
VIRENDRA VERMA

When Sun Pharmaceuticals completed 25 years last year, the mood at the suburban Mumbai headquarters would have been celebratory. And why not: India's most valuable pharma company had indeed come a long way ever since its founder Dilip Shantilal Shanghvi started the company in Calcutta in 1983. From revenues of Rs 10 lakh in the first year, Sun had raced ahead to become a Rs 3,502-crore innovation-led entity by March 2008. For investors, this was a company that could do no wrong—since going public in 1994, its profits had never fallen year on year! And an investor who would have put Rs 100 in the public issue would be richer by a cool Rs 5,600 today (excluding dividends).

Towards the end of the year, however, an unforeseen cloud dampened the upbeat tone. On the last day of October 2008, the US Food and Drug Administration (FDA) fired off a warning letter to Caraco, a US subsidiary of Sun, citing quality control issues.

If Sun's silver jubilee year ended with a setback, things only got worse in the 26th year—in June, the US FDA seized drugs from Caraco's Detroit unit, as it allegedly violated good manufacturing practices, or GMP as they're known as in industry parlance. The pressure had, in the meantime, begun to show on the financials of both Caraco and Sun—the former accounts for roughly 35 per cent of Sun's top line. For the year-ended March 2009, the US subsidiary registered a 42 per cent drop in profits, from $35.4 million (about Rs 170 crore at current rates) a year ago, to $ 20.5 million (Rs 98.4 crore).

But the bigger blot was on the



Dilip Shanghvi (above), the Chairman and MD, says of the Caraco setback: "I do not think that we have faced anything as massive as this in the past"

books of Sun Pharma. For the first time since getting listed, its profits tumbled in this fiscal's June-ended quarter, by 67.3 per cent, even as revenues slipped by 24.4 per cent. If that wasn't enough, Caraco was hit with two class-action suits in July; by end of the month, Caraco's CEO Daniel H. Movens had put in his papers. Analysts don't expect the woes of Caraco—which Sun had acquired in 1997—to end in a hurry, which is why they expect sales and profits to keep dropping for some more quarters to come.

For Shanghvi, who at 27 preferred starting Sun Pharma to joining his father in his distribution venture, the Caraco setback is the proverbial bolt from the blue—and easily the rudest bolt in a long time.

"It is clearly a major challenge for Sun Pharma and I do not think that we have faced anything as massive as this in the past," says the Chairman & Managing Director, who was instrumental in turning around Caraco in 10 years after taking it over as a bleeding proposition. The Caraco case becomes even trickier as it is a separate company—even though its financials are consolidated into Sun Pharma—which allows it a certain amount of operational independence. That Caraco is listed on the American Stock Exchange also makes it a particularly sensitive issue. From Sun's point of view, Caraco is its outpost

in the US market, which accounts for over a third of its revenues, and is therefore a critical prong of its growth game plan.

Analysts are visibly nervous about the company's future as a generator of supernormal profits. "The US FDA action will have direct implications on Caraco's manufacturing revenues and we believe there will be some spillover effect in distributed revenues as well," says Praful Bohra, a pharma analyst with Jaypee Capital. Credit rating firm CRISIL believes the US drug regulator's action could have a material impact on Sun Pharma's business in the US over the long term, as it could impact market confidence and reputation.

If the Caraco case wasn't enough, what also threatens to take the wind out of Sun's sales is the fact that the basket of products that enjoys exclusive selling arrangements in the US generics market is emptying out. Such exclusive arrangements are one-time bolster shots that can last for 180 days, during which period manufacturers can chew on margins as chunky as 70-80 per cent. In fact, Rakesh Nayudu, a pharma analyst with SBICAP Securities, says he had anticipated a slowdown in Sun's top line and a fall in profits even before the Caraco dispute broke out for precisely this reason. Analysts also caution that Sun faces intense competition and pricing pressure in the regulated generics markets, such as the US, thanks to the aggressive defense tactics followed by innovator companies (like, for instance, the launch of authorised generics, especially for blockbuster drugs going off-patent.)

Shanghvi and his core team—which includes brother-in-law Sudhir Valia, a director on the board—have a multi-pronged plan to counter the adverse conditions. Prong #1: Continue to stay focussed on the US, and on more complex drugs going off-patent as the higher the complexity, the fatter are the profits. Another element of the revival blueprint is to intensify the focus on international branded generics, which currently contribute 9 per cent to revenues. It's a business that's growing by 30-40 per cent annually, and Shanghvi sees scope to increase the contribution, both in terms of percentage of revenues as well as in value. Finally, Shanghvi wants to cement his position in the domestic market amongst the top 5, and consolidate his dominant positions in certain categories.

Even as most of Shanghvi's energies will be centered around clearing the Caraco muddle, what will hold Sun Pharma in good stead is the good work done over the years. "Sun has over the years built capabilities that are excellent, namely, the product portfolio and a strong intellectual property base," says Nayudu of SBICAP Securities. A sound financial platform will also come to its rescue. Sun Pharma is a debt-free company and had cash of over Rs 3,500 crore on its books at the end of March 2009.

Two generic products that could give Sun a fillip in the near term are the generic versions of Eloxatin and Effexor XR. Macquarie Securities says Eloxatin on a conservative estimate could easily generate $50 million (Rs 240 crore) in profits during the exclusivity window and boost earnings for the current fiscal by around 17 per cent.

Sun's ongoing problems are proving to be stumbling blocks in its quest for growth—a lot of which has been inorganic in the past. In 2007, Sun made a play for Israeli firm Taro Pharmaceuticals, and today controls 36.4 per cent of it. Taro, however, has dragged Sun to court as it felt the Indian company had to make a special tender offer, which would provide protection to minority shareholders. A legal battle has been under way since last year, and the matter is currently in the Israel Supreme Court. "Our current focus will be to address issues at Caraco," says Shanghvi. For a man who began with small operations in West Bengal, Bihar and Gujarat, acquisitions of companies in countries like the US (other than Caraco, Sun also bought Chatten Chemicals, Able Labs and niche brands) and in Hungary (ICN), are indicators of his resolve and focus—qualities that will hold him in good stead in the battles ahead. ⊙

THE CURIOUS CASE OF CARACO

It's critical because the US accounts for over a third of Sun's business.

DATE/ EVENT

31 October 2008
The US FDA issues warning letter, citing quality control issues

25 June 2009
The US FDA seizes drugs from Caraco's Detroit facility for alleged violation of good manufacturing practices

6 July
Caraco announces reduction in staff by 350 people

17 & 23 July
Two class-action suits filed against Caraco

28 July
Daniel H. Movens resigns as CEO of Caraco

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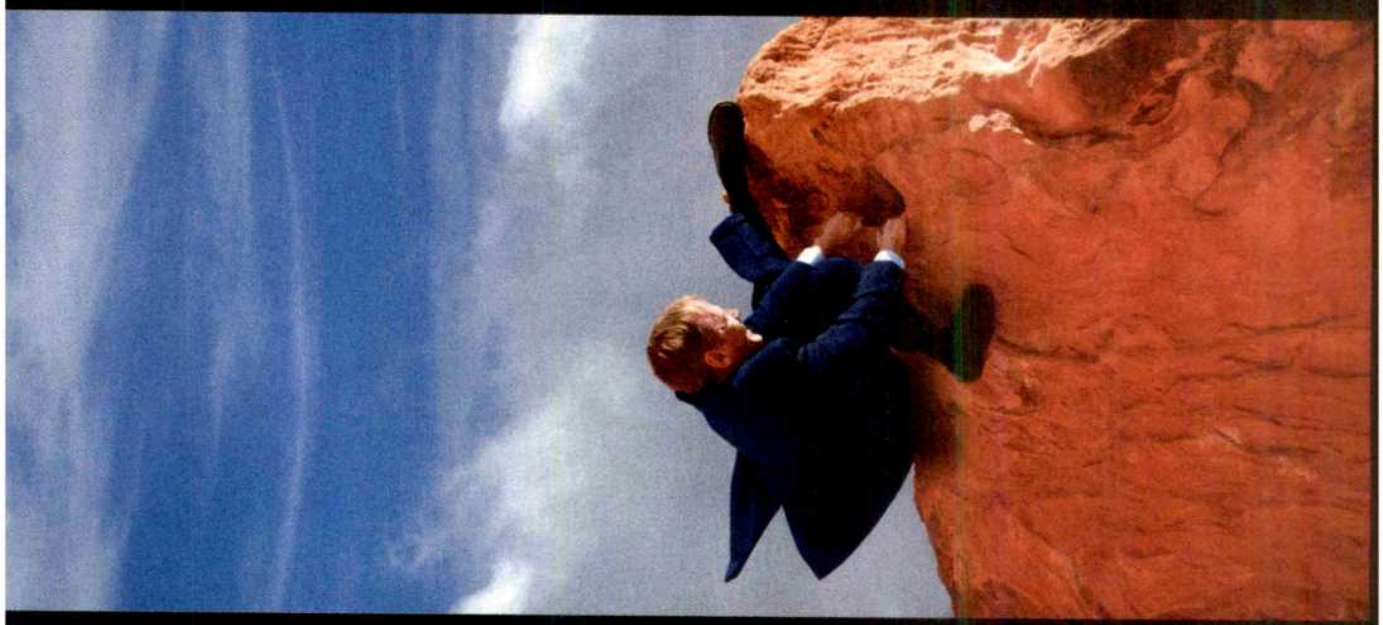

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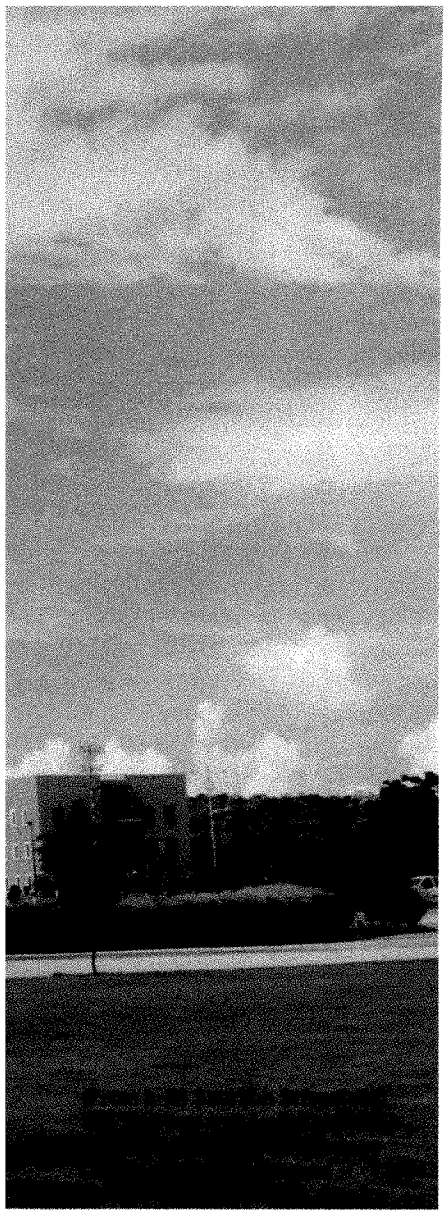
Can This Trio Kick-start CA?

Once the world's third-largest software company, Computer Associates is betting big on India to get its mojo back.

SUMAN LAYAK

Julia Montgomery is frequently stopped on the streets of Hyderabad by Indian women offering a compliment on how good she looks in a *saree*. She often picks up a tip or two on how best to wear it. And guess what: Montgomery (a white American) thinks Indian women are the smartest for they can wear comfortable clothes at work. Her experience with the *saree* is not too different from that of her husband Will Bauman—whose employer is the $4.2-billion software giant CA (formerly Computer Associates), which is embracing the country with as much élan.

CA? What's that... Well if the name doesn't quite ring a bill—or, perhaps, not as loud as it would have in the early 2000s—it's not without reason. Once the world's third-largest software company, CA lost its pride of place ever since it got bogged down by allegations of insider trading. That eventually led to the exit of its high-



NISHIKANT GAMRE & A. PRABHAKAR RAO

SAURABH SRIVASTAVA, Chairman

BACKGROUND: Veteran entrepreneur and angel investor; had started IIS Infotech, which merged with Xansa in 1998. Co-founded NASSCOM and started one of India's earliest venture funds, Infinity Ventures; was also Chairman of Electronics and Computer Software Export Promotion Council.

* * * * * * * * *

AMIT CHATTERJEE, Managing Director

BACKGROUND: Was Head of Alliances for HP Software across Asia-Pacific and Japan after serving as HP Software's India Country Leader for more than seven years; spent two years with Microland and 11 years with HCL Infosystems.

* * * * * * * * *

WILL BAUMAN, Senior Vice President & General Manager

BACKGROUND: Was Senior Vice President and & GM for the Workload Automation business unit of CA before coming to India; before joining CA in 2005, served as VP (Business Development) for InternetSpeech, a California start-up; prior to that VP (Product Management & Development) at BMC Software.

THE INNOVATION HUB

- The India Technology Center (ITC) accounts for **27%** of inventions filed by CA's engineers in 2009.
- In absolute numbers, the inventions have doubled from **19** in 2008 to **38** till now in 2009.
- In a year from now, ITC will be CA's largest technology centre globally.
- Manpower is set to go up from **1,600 to 2,600.**
- Total investment in ITC: **$60 million.**
- ITC is the only centre outside the US that works on **all 7 business units** of CA.
- Number of product managers of CA's global products based at ITC is **14.**
- ITC accounts for almost **1 patent a month** that CA files for in the US.

profile Sri Lankan Chairman & CEO Sanjay Kumar in 2004. A new team largely comprising former IBM officials, led by President & CEO John Swainson, slowly but surely took over at CA, which is when it earned the sobriquet of the world's largest start-up. It's #10 now in terms of software revenues, but is the top independent IT management company.

CA is now counting heavily on India to to regain its place in the sun. Soon, 15 per cent of its employees worldwide will be from India. "India is a glass that's half full—in fact, there are many glasses here that are half full and that's how we see India," says Bauman.

Bauman is the Senior Vice President & General Manager for CA in India and is one of a troika that runs the multinational's ambitious India engagement plan. Bauman runs the Indian Technology Center (ITC) of CA in Hyderabad, which, in a couple of years, will be CA's largest technology centre anywhere in the world. While Bauman started his India stint in February 2009, two seasoned Indian professionals came on board months later. First, in April veteran entrepreneur and angel investor Saurabh Srivastava was brought in as Chairman; a month later Amit Chatterjee, HP Software's Head of Alliances across Asia-Pacific, joined up as Managing Director for India in May. The mandate was clear-cut: Leverage India for CA.

Srivastava, one of the co-founders of IT services industry body NASSCOM, has a unique role as Chairman of CA India. He comes in as a mentor from the first day. "We are not in India just to sell our software. It is a much bigger goal. If you look at CA India today, it is almost a mirror image of CA USA. Not in size, but whatever we do in the US, we also do in India. It is not true of CA in any other market in the world." CA,

headquartered in Islandia, New York, is the biggest player in the world in large-scale enterprise software, especially in security and mainframes. It's also been holding its own in the downturn; globally, the company reported no decline in sales in the last fiscal and has stated that it wants to invest in the downturn. A lot of that will happen in India. The company is investing in technology, innovation and acquisition of new technologies. CA's investment in ITC will touch $60 million by mid-2010.

CA also wants to sell its products—like its applications management tool Wily and its identity access management software IAM—in India. Srivastava sees a clear opportunity in the government's *aam aadmi* focus. "As the (state) governments try to fix what is broke in public services, leveraging IT will be at the top of their minds. CA wants to partner in e-governance in India." To know India better and to do more business in India, CA India is starting an internal programme codenamed 'Indigo'.

Chatterjee has fixed a goal of growing by 50 per cent every year in India for at least the next two years. "Apart from governments, there are the new telecom players (who could be our clients)." He is hiring 15 senior professionals in the next few weeks to beef up his sales team. "CA India is the only CA unit that is demanding investments and promising growth," adds Chatterjee, who also manages sales in Bhutan, Bangladesh and Sri Lanka from India.

As part of 'Indigo, CA also plans to join hands with top Indian system integrators—namely Infosys, Wipro, TCS, Satyam and HCL. Srivastava is keen to translate such relationships with the Indian software biggies into global partnerships. "We already work with all of them, but we want to really deepen our relationships with the Indian companies," he says.

Srivastava's background as an angel investor and venture capitalist ties in well with CA India's mandate to hunt for technology companies that are ripe for acquisition. Historically, CA has grown through acquisitions throughout the world. However, in India, the company is chasing complementary technologies rather than just growth for the sake of it. And Srivastava with his deep network of venture capitalists—he is the Chairman of the Indian Venture Capital Association—is the ideal person to dig out such candidates.

As Srivastava dons multiple hats (he had started IIS Infotech and then merged it into Xansa in 1998), he is the ideal person to help CA make the best of its India initiative, feels Pradeep Gupta, Chairman & Managing Director, Cyber Media (India) Ltd. Gupta has known Srivastava for decades now. "Be it government contacts or contacts with the Indian software biggies or knowledge about what's the latest in the start-up world in India, Srivastava is an ideal fit for CA's agenda in India," adds Gupta.

While the sales push spearheaded by Chatterjee and the engagements being worked out by Srivastava are the multicoloured icing sugars, the real cake is being baked in Hyderabad under the guidance of Bauman. Almost echoing the sentiments of Srivastava, Bauman says: "Hyderabad is a mini-Islandia. All the seven business units of CA are represented in our technology centre in Hyderabad."

Bauman, who took over from Lokesh Jindal (an old CA hand, who has now gone back to CA USA), has seen CA India through a critical phase. Last year, when the company moved ITC from Chennai to Hyderabad, there were issues of attrition as not everyone made the move. Result? A drop in performance. But Bauman claims that CA India has come back well. The proof of the pudding: "In the March 2009 quarter, we won the award for the most improved team; in the next quarter, the team was challenged to aim for the best support centre award and we won it. It is an award that is normally won by the headquarters," says Bauman.

He has the mandate to get the most out of this centre now. It is leading him to get more and more product managers and product architects to be based out of Hyderabad. In July, the US patent office granted the first patent filed from this centre (17 have been filed so far). In innovation projects, one idea proposed by the Hyderabad centre is set to get funded by CA's innovation fund.

Clearly, CA has a lot going of it in India. "CA is a case study of how a company remade itself on the go," says Srivastava. Chatterjee points out that CA has now been placed in the prestigious Magic Quadrant by consultant firm Gartner that indicates both leadership and vision. Bauman has plenty of reasons to smile, including this one. "My wife—who does volunteer work teaching English at the CA Hope School in Hyderabad—is happy in India, and that's 90 per cent of the battle won." ⊙

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WHY INDIA IS THE LYNCHPIN

- CA will soon have around 15 per cent of its employees in India.
- Is actively engaging start-ups and entrepreneurs to identify acquisitions in India.
- Is engaging with system integrators for both Indian and overseas markets.
- Only in India is CA engaging in all the activities that it does in the US.

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NISHIKANT GAMRE

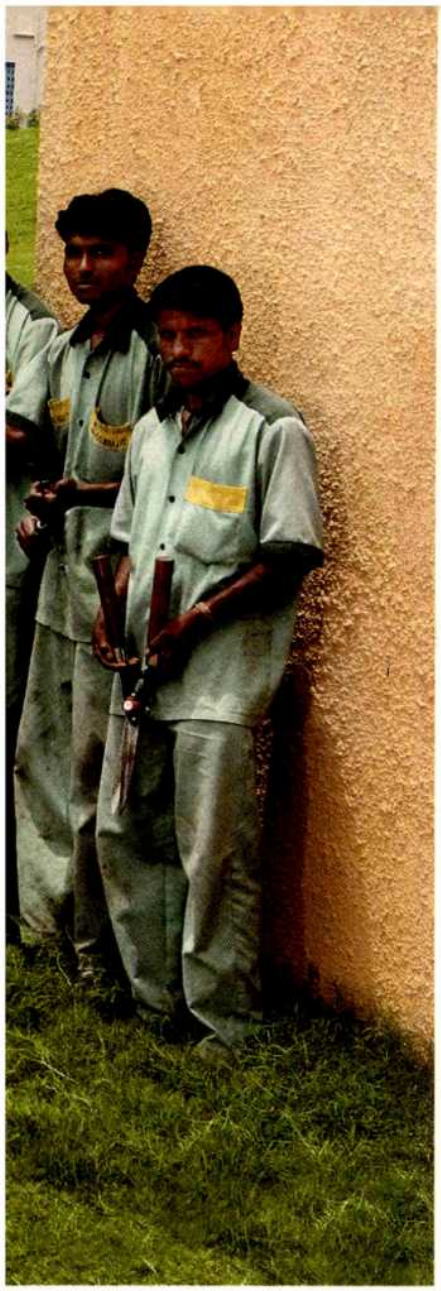
BVG India's CMD Hanmant R. Gaikwad (sitting) and Vice Chairman Umesh Mane (standing to his right) along with workers from the mechanised cleaning and landscaping department

Rural Liberator

With village youth comprising three-fourths of its employee base, BVG India has struck upon a unique—and cost-competitive—business model in facilities management and support services. ANUSHA SUBRAMANIAN

He is from Rahimatpur village in Maharashtra's Satara district. His family moved to Pune when he was 12. His mother was a municipal school teacher in Pune. He lost his father when he was 17. He grew up in a 10x10 room along with his younger brother, mother and his grandparents. He went on to get a degree in engineering from VIT (Vishwakarma Institute of Technology) Pune and paid his fees by tutoring diploma students, selling jams and pickles door-to-door and taking up painting contracts.

Today, Hanmant R. Gaikwad, 37, is Chairman & Managing Director of a Rs 200-crore company. But wait, here's where this rags-to-riches story takes a twist. Gaikwad didn't make



BVG INDIA

Founder
Hanmant R. Gaikwad, 37

Focus
Provides non-core activities such as mechanised housekeeping, landscaping & gardening, security services, etc., to private and government institutions by hiring mostly rural youth.

Scale of Business
Turnover of Rs 200 crore; targeting Rs 300 crore by March 2010. Profit margins are in the range of 10-12 per cent.

Presence
Pan-India presence with a 16,000-strong 'ready-to-move' and trained workforce across 13 states through a network of 28 branches.

Investors:
Kotak Private Equity invested Rs 30 crore for a minority stake last year. Plans to go public in 12-18 months.

his crores by hitting the big-city trail and starting up some cutting edge venture. Rather, he dug his heels into his home turf—and even as he emerged as a messiah for the mass of rural unemployed, Gaikwad discovered a huge virtually untapped catchment area for a manpower-intensive business that neither calls for fancy degrees nor corpulent pay packets.

Gaikwad is the man who founded Bharat Vikas Group (BVG) India, one of the country's largest facilities management companies based out of Chinchwad near Pune. BVG India provides non-core activities such as mechanised housekeeping, landscaping & gardening, and security services to private and government institutions with the help of a 16,000-strong ready-to-move and trained and pan-India workforce.

One of those employees is Bablukumar Pandey, a 22-year-old who came to Pune from a village in Uttar Pradesh in 2006. Pandey sold fruits for a living outside Pimpri-Chinchwad Municipal Corporation's Yashwantrao Chavan Government Hospital. During this time, he would watch uniformed boys of his age group working in the hospital. He got curious one day and started enquiring about the kind of job they do. In six months, Pandey was one of the helpers doing mechanised cleaning work at the hospital.

For Gaikwad, youth like Pandey are the fuel that keeps the BVG engine humming. And that the promoter himself is no stranger to the hard life, perhaps, allows him to empathise with those who rush to him for work. They've been rushing to him ever since the mid '90s—from his hometown—when Gaikwad landed a job at the Tata Motors' Chinchwad plant as a graduate trainee. Before that, when in the third year of college, he started a foundation called Bharat Vikas Pratishthan (BVP) to help the youth from his hometown. BVP would accept donations, which would be used to educate the underprivileged in his hometown.

At Tata Motors, Gaikwad would on a regular—and informal—basis supply the company with youth from Satara whenever it was looking for people. The breakthrough came when Tata Motors was on the look out for a housekeeping contractor for its mint-new Indica plant. Gaikwad proposed that the contract be given to BVP. Tata Motors agreed. That's when BVP began operations in 1997 as a housekeeping company with just eight employees.

In three years, BVP had grown into a 200-strong outfit, with Tata Motors as its only client. In 2000, Gaikwad called it a day at Tata Motors, converted the foundation into a deemed limited company, renamed it BVG India and extended its operations to include services such as landscaping & gardening, security services and transport & logistics.

More to Follow

BVG's first contract outside of Tata Motors was worth a princely sum of Rs 80,000, from a GE Power Controls India's unit in Bangalore. "Ten people from Maharashtra left in a Tata Sumo to clean the plant site," recollects

Gaikwad. Soon after, more clients signed up, including the likes of Bharat Electricals and Parle Biscuits. In three years, BVG had set up outposts in Chennai and Hyderabad.

If getting the Indica contract got Gaikwad on his way, what enabled BVG to move into another league was the first contract it got from the Indian Parliament in 2003 to clean its 600,000 sq. ft library. "The contract was on a six months trial basis. They were happy with our work and thereafter, we got the contract to clean the whole Parliament House, barring the inner chambers. Gradually, we started cleaning the Prime Minister's residence and office and now we manage the Rashtrapati Bhavan as well," says Gaikwad.

Today, Tata Motors is still BVG's largest client, but he has some 300 others in the bag, including the who's who of India Inc.—Mahindra & Mahindra (M&M), Bajaj Auto, Hindustan Unilever Ltd (HUL), ITC, Accenture, Whirlpool and Wipro; as well as state-owned companies and institutions such as Oil and Natural Gas Corporation Ltd (ONGC), Indian Railways and the Indian Navy. All these contracts were bagged on the basis of tenders floated.

What essentially started as a means to keep sections of Maharashtra's rural youth employed is now an all-India venture. But this also presents a challenge—of coming to grips with cultural and work ethic-related nuances of workers from different regions. That's one reason Gaikwad prefers not to rely totally on locals at any given location (outside Maharashtra). He maintains a 30:70 ratio (with 30 being from 'outside').

Leadership Position

BVG's leadership position in a niche segment has got investors to sit up and take notice. In February 2008, Kotak Private Equity took a minority stake in the company by pumping in Rs 30 crore. "We were scouting for a good company in the facilities management space, which is an emerging sector and has huge potential in the long run," says Nitin Deshmukh, CEO, Kotak Private Equity Group, adding: "We met Gaikwad and were impressed with *his vision* and the work done so far. After a complete due diligence, we were convinced that BVG had great potential to be among the top three players in facilities management."

The economic downturn has put a spoke in BVG's growth, what with companies quick to axe non-core staff as a knee-jerk cost-cutting move. At Tata Motors, for instance, BVG was told to cut its workforce from 800 to 450. "We did face a problem with some big clients cutting back on costs and asking us to reduce staff in their premises. But that has not forced us to retrench staff. We deployed them at other client locations," says Gaikwad. BVG today is focussing sharply on government contracts, a sector that tends to be more resilient during a slowdown. Currently, the company's business mix is 55:45 in favour of private enteprises. Gaikwad is keen on a 50:50 mix.

Despite a drop in profit margins early in the current fiscal, Gaikwad is confident of achieving his targets for the year—which includes a 50 per cent jump in turnover to Rs 300 crore. But even as Gaikwad gets more performance-focussed—thanks to an investor on board—he doesn't seem to be forgetting his initial mission. Recently, BVG propagated a low-cost housing scheme for the low-income group, which has been implemented by the Pimpri-Chinchwad Municipal Corporation and funded by the central Government, in which about 500 BVG employees will get a 500 sq. ft house for Rs 1.5 lakh each. Shrugs Gaikwad: "Many people create wealth, but few think of sharing it." ⊙

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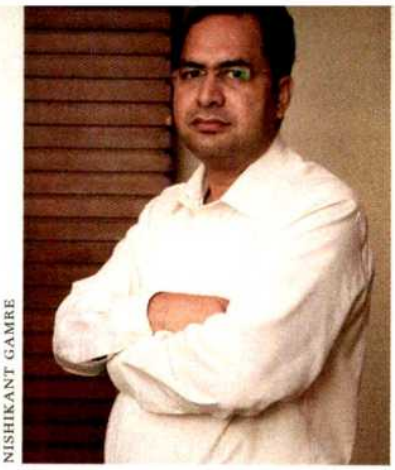

NISHIKANT GAMRE

"Many people create wealth, but few think of sharing it"

Hanmant R. Gaikwad
Chairman & Managing Director, BVG India

Gaikwad's Rustic Fast Track

1992
Started Bharat Vikas Pratishthan (BVP) to help the youth from his hometown, Satara. He would collect small amounts of donations from people and help the needy for their education.

1993
Got his engineering degree from VIT Pune.

1994
Joined Tata Motors as a graduate trainee engineer.

1997
BVP gets first housekeeping contract from Tata Motors.

2000
BVP becomes Bharat Vikas Group India.

2001
In three years, grows from just eight to 200 employees with just Tata Motors as a client.

2003
Big break comes when BVG gets a contract for the Parliament's 600,000 sq. ft library.

2009
Close to 300 clients, which include residence and office of the Prime Minister, the Indian Railways and Rashtrapati Bhavan.

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Dawn of the Netbook

Cheap, svelte and robust, netbooks have reached a unique tipping point. An impending broadband revolution and rising incomes will render them as commonplace as your cell phone. KUSHAN MITRA

Affordability

- A machine with a Linux-based operating system starts at Rs 16,000
- Costs the same as many mid-market cell phones available today
- With content and connectivity falling in place, the demand for the device could explode

Desirability

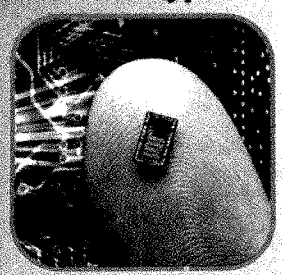
- The trend of one PC per family will gradually change to one netbook per person
- Students, not just of colleges, will provide a big demand push
- Telcos plan to bundle broadband connections with the device

Connectivity

- The spread of wireless broadband will increase the netbook's draw
- A further cut in broadband and datacard prices will help
- Innovation allowing a mobile SIM to work with a netbook could boost demand

In a crowded conference in Delhi's Nehru Place in mid-2006, Craig Barrett, then Chairman of Intel, the world's largest semiconductor maker, spewed venom at the One Laptop Per Child (OLPC) initiative started by Nicholas Negroponte, the head of the Massachusetts Institute of Technology's Media Labs. The concept of a cheap laptop was ridiculous, bristled Barrett. It did not help that OLPC was using the 'Geode' processor made by rival AMD Corporation. However, back at Intel's development centre in California, an altogether different scene was unfolding. Intel, regardless of Barrett's public vitriol, had begun work on the 'Atom' processor that was aimed at powering exactly the kind of machine that Barrett was excoriating at Nehru Place—a laptop 'lite' that people were beginning to refer to as 'netbooks'.

Today, Intel's Atom chip is in the middle of the next great revolution in computing—the soon-to-be ubiquitous, no-frills, super-light laptop called the netbook. At the most recent Computex—the gargantuan world computer fair-cum-circus—held in the Nangang Exposition Hall in downtown Taipei, Taiwan, girls in skimpy polyester dresses advertising the latest computer wares weren't the only ones attracting attention. In fact, almost everyone there seemed utterly captivated by the toy-like notebooks on display. So far, 14.6 million of them have been sold worldwide in 2008, grabbing 11 per cent of the 'portable' computer market and numbers are expected to touch over 26 million in 2009. In India, 73,000 were sold last year, according to Vinnie Mehta, Executive Director, Manufacturers' Association for Information Technology (MAIT), India's hardware industry body—barely five per cent of the sales of 1.5 million 'portable' computers last year. Now, these numbers may not get the adren-



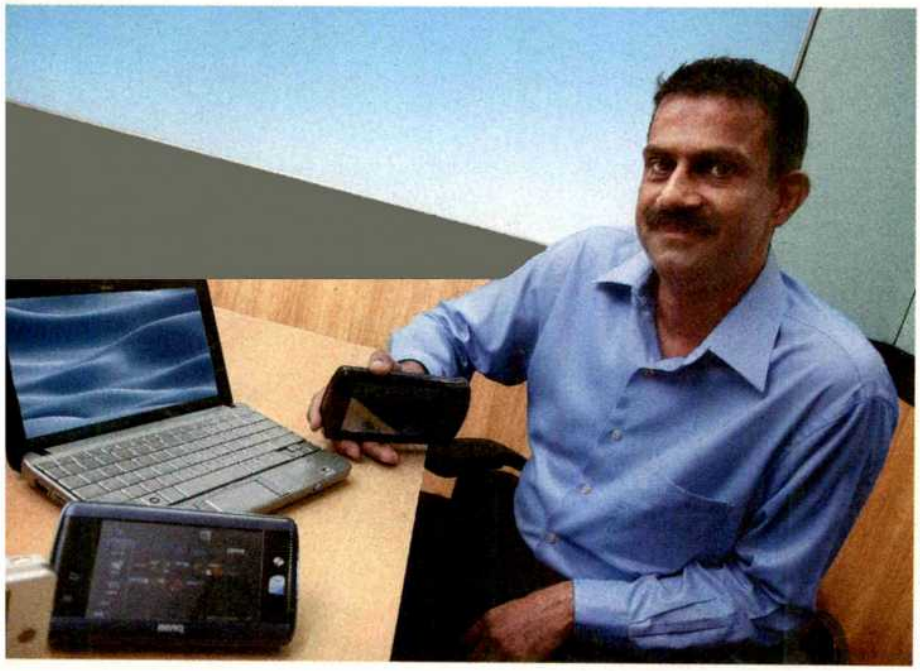
VIVAN MEHRA

- Intel's Atom processor is specially made for netbooks
- Battery life of netbooks is two times that of the average laptop
- Nvidia's Ion chipset renders superior graphics

aline of anyone in tech sales pumping—but according to most experts, it soon will. The reason for this is simple. India is at a unique tipping point in computing where a variety of trends have all serendipitously collided together to propel netbooks forward as the next big thing.

First, netbooks are cheap—around Rs 20,000 on average and a third of the price of a mid-range laptop, and at par with many high-end mobile phones, thanks to the lack of fripperies like disc drives, or abundant memory. Then, upcoming broadband auctions promise to ramp up connectivity. Plus, India has a wave of increasingly younger people who are Net junkies. Also, incomes across middle-class India have swelled, allowing a vast swathe of people who would normally not be able to afford a laptop to be pulled into the orbit of a netbook. "Netbooks are creating a whole new category among ultra-mobile users, students and in the SME segment in class B and C towns," says Rajan Anandan, CEO, Microsoft India. Naturally, a variety of computer makers—from Lenovo to Hewlett-Packard—have dived into the fray with models for the Indian consumer. Already, 40,000 units were sold just last quarter alone, according to S. Rajendran, General Manager, Sales and Marketing, Acer India. Acer expects the market for netbooks to be 175,000 units this year.

Another powerful trend is giving the netbook a fillip: cloud computing. "You do not need to have a whole lot of hardware to power applications on your computer, because the applications will be hosted on servers on the Internet," says Vinay Goel, Director, Products, Google India. "Today, applications are available from Google among others, that allow document editing, image manipulation and data storage online. This has become so mainstream that even Microsoft is planning to launch an 'ad-supported'



NISHIKANT GAMRE

"Nettops will be even cheaper because they can use off-the-shelf hardware and will not have the expensive battery"

RAMAMURTHY SIVAKUMAR, Managing Director, Intel India

free variant of their next release of the Office suite later this year," he adds.

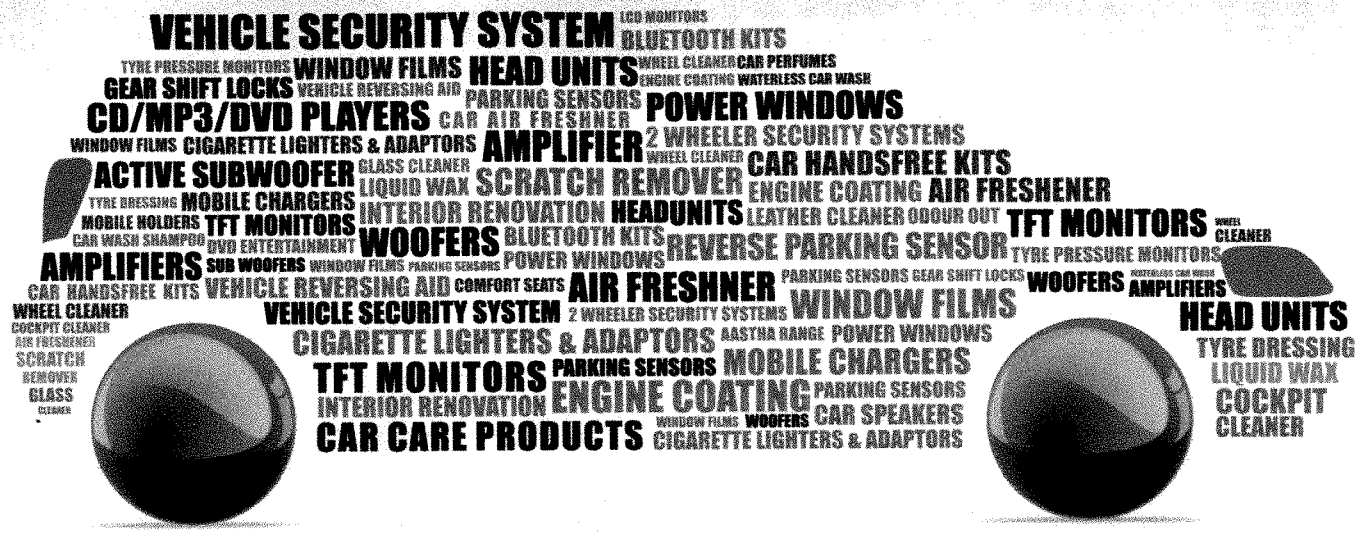
So how does one predict the evolutionary path of such a radical device? Some see it as akin to what a landline phone used to represent—only one per household, usually accorded primacy in the living room, then gradually proliferating to the master bedroom and even the kids' rooms. Similarly, the netbook promises to push the PC concept from one per home to one per family member. Warning: "Don't compare this to mobile phones, because here there is a question of content as well. Compare this to the rise and rise of cable and satellite TV," says MAIT's Mehta. "Initial demand led to Zee TV entering programming and that created a virtuous cycle of increased hardware sales leading to even more content," he adds. Mehta points out that just like TVs in the 1990s, netbooks have vaulted over the hardware price barrier and once robust broadband kicks in, more content will be generated leading to even more demand for netbooks.

Now, considering the popularity of multimedia applications, including games, amongst youth, a relatively slower netbook will be sure to sink. Enter Nvidia, which has developed the 'Ion' chipset which couples Intel's Atom processor with a Nvidia graphics one. "There is a lot of high-definition video content, even average users want to play casual games, so you cannot say that netbook users are 'basic' users," says Igor Stanek, Nvidia's product PR manager for the Ion. Still, fact is, the netbook's evolution has only just begun and its avatar today may be radically different from what it will look like five years down the line. A case in point is Nokia's Booklet 3G (see *Nokia's Return to Computing*) which by operating off a regular SIM that you and I use in a phone, will promise to revolutionise the way people connect to the Net while on the move.

Another critical driver bound to fuel the future growth of netbooks in India: the rapidly growing education sector. "The problem with computers in India today is a lack of content, but with hardware becoming cheap and convenient through netbooks, I think ubiquitous wireless broadband coupled with educational applications will transform the computing landscape," says Naresh Gupta, Managing Director, Adobe India. S. Rajendran, General Manager, Sales and Marketing, Acer India, points out that Acer is already in talks for an order for 5,000 netbooks for an educational institution. Not to be outdone, Intel has also linked up with Indian computer maker HCL to develop, not just a range of netbooks, but also 'nettops'—small desktop computers with netbook innards. "These will be even cheaper because they can use off-the-shelf hardware for monitors,

FACE-OFF

Laptop	• Starts at around Rs 30,000 with hi-end machines costing more than Rs 2 lakh	• Uses processors from Intel's 'Centrino' family, which are more pricey but faster	• Without 'extra life' cells, often weighs upwards of 4 kg. Battery life only 2-3 hours	• Supports DVD drive. Screen sizes range from 13 to 17 inches diagonally
Netbook	• Starts at around Rs 16,000, though some netbooks cost upwards of Rs 35,000	• Uses Intel's 'Atom' processor, which is cheaper but also has lower performance	• Even with 'six cell' extra life batteries weighs under 2 kgs; battery life 4-5 hours	• Does not support DVD drive, has less storage memory. Screen sizes between 8-12 inches



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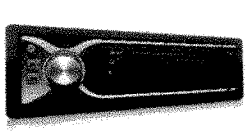
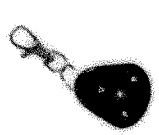

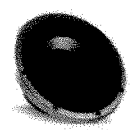

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mice and keyboards and they will not have the expensive battery," says Ramamurthy Sivakumar, Managing Director, Intel India. Moreover, telecom operators are currently exploring the possibility of bundling netbooks with broadband services, giving these devices a tremendous boost.

Still, despite all this excitement in the netbook space, some challenges exist. The netbook/notebook distinction is already becoming muddled. Computers with the 'netbook' form factor—small screen, smaller keyboard and low weight but packing in the processing power of high-end notebooks—are becoming popular as computer manufacturers increasingly dump the DVD drive. At the same time, some netbooks are gaining larger and larger screens—a 12-inch netbook is only a bit smaller than a 13-inch notebook. This has given computer makers an existential crisis. What then is a netbook? Computer makers are now defining it as a series of features that include its low-cost hardware and the fact that netbooks will live off cloud applications. Yet, some in the industry believe that the 'netbook' term will incorporate all 10-inch (screen size) and below computers.

Whichever way you want to define it, a robust compact computer minus the 'extras' and priced at around a third of a mid-range laptop will attract hordes and this has automatically generated a whole new level of competition. Makers of mobile phone processors like Freescale and Qualcomm want a piece of this new hardware action. And then there is Nokia, whose entry into netbooks has changed the product and could reshape its future. Microsoft's Windows XP, which is the standard operating system in 70 per cent of netbooks globally, is being replaced by Windows 7—an operating system developed with netbooks in mind. But both Intel (Moblin) and Google (Chrome) are also throwing their hat into the operating system ring. The netbook wars have only just begun. ⊙

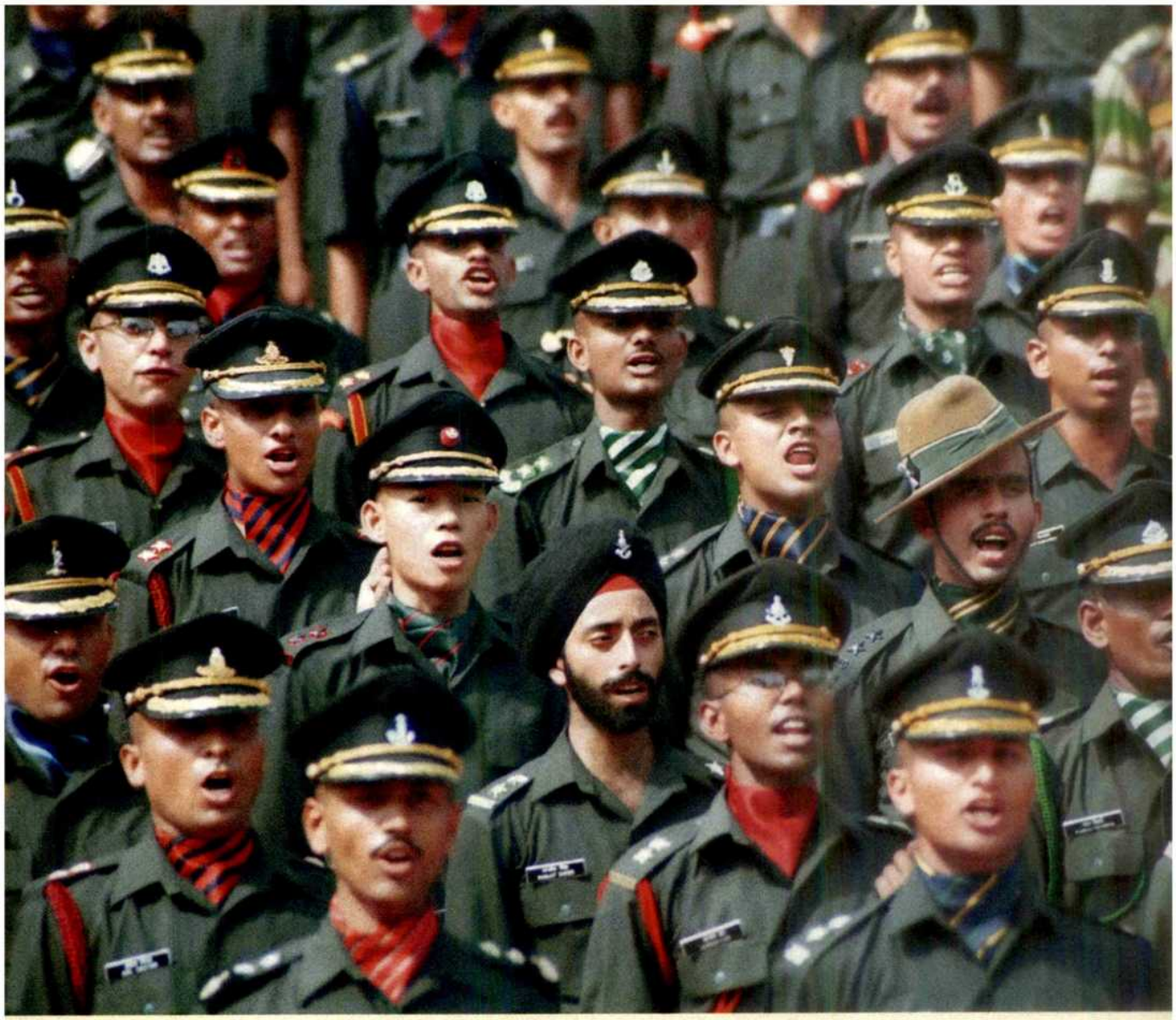
NOKIA'S RETURN TO COMPUTING

In 1991, Nokia's then-CEO Kari Kairamo was trying to reinvent the (then) 120-year-old conglomerate and was persuaded by the head of Nokia's mobile phone division, Jorma Ollila, who would go on to succeed Kairamo in 1992, to dump the computer division. Which the firm duly did. Eighteen years later, Ollila's successor Olli-Pekka Kallasvuo has seen the future and that future involves a return to—surprise!—computers. Not just any computer though, but more specifically a 'netbook'. While its portability may cannibalise some of Nokia's high-end E-series and N-series phones, the product may prove to be one of the biggest cash cows in Nokia's storied history.

The Nokia Booklet 3G, which will be showcased at Nokia World in early September, is not your typical netbook, even though it will have an Intel Atom heart and Windows for its brain. For one, Nokia claims it will stomp the competition on battery life, promising 12 hours of run-time. But it is on connectivity options that Nokia has the competition trounced: The Booklet 3G will have an in-built 3G antenna and a slot for a SIM card as well as a High-Definition video (HDMI) output.

Nokia has bowled quite a Googly, especially since sales of its high-end devices are being eroded by Apple and Research In Motion (makers of BlackBerry). Consequently, it is hoping that the firm's brand image—far superior to that of most computer makers, especially in the developing world—as well as its unmatched distribution in countries like India, can play a big role. Sometimes, in business strategy, it seems that you have to move far away from the past in order to re-discover the future.

The Booklet 3G will have an in-built 3G antenna and a slot for a SIM card as well as a High-Definition video (HDMI) output



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Up Close with Recession

Over two weeks across six states, **N. Madhavan** discovered that the US is changing like never before—thanks to the recession.

N. MADHAVAN

▲ **'Staycation' in vogue** *Be it the Millennium Park in downtown Chicago (above) or at Lake Geneva in Wisconsin, the preference for spending time with family at local outings is pronounced*

N. MADHAVAN

▲ **Driving home to a bigger family** *Bus driver Joel Rykse of Grand Rapids, Michigan, is happy that his daughter has moved back to live with her parents to save on living expenses*

Some call it the 'great recession' while a few term it the 'mini-depression'. Whatever the jargon, the prospect of visiting the US in the midst of a recession—undoubtedly the longest since World War II and the worst after the Great Depression of the 1930s—was indeed exciting. It was mid-July and I expected to see a country in pain. Instead, what I got to see was a country that was adapting to the crisis by even giving up what is essentially considered 'the American way of life'. Snapshots from six diverse cities:

Grand Rapids, Michigan (July 13): Our driver, Joel Rykse (62), is a happy man. The current recession has so far spared him. But that is not the main reason for his happiness. The difficult times have forced Joe's elder daughter to return home and live with him. Now he need not have to worry about his house when he leaves for Florida to escape Michigan's bitter winter. Across the US, the adverse conditions are driving employed unmarried kids back to their parents' home, thus reviving the concept of nuclear families. In the 1970s, nuclear families constituted over 40 per cent of the total family units in the US. Today, it is less than 25 per cent. "You need a crisis to get people, especially kids, to understand and accept certain values which have become unfashionable over time," says Joe.

Washington D.C. (July 16): I bump into Frank Robinson, a retired retail execu-

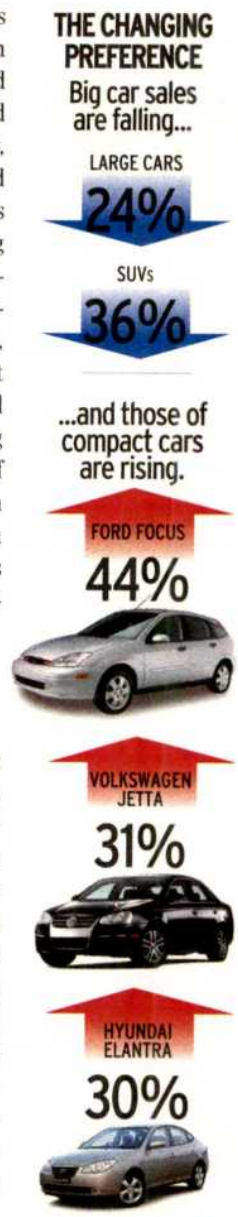
◀ **Swap, not buy** *Swapping sites, dealing in things ranging from cars to shopping bags, have seen massive jump in membership*

ROCKY MOUNTAIN NEWS

▲ ***Value purchase*** *Discounts, the lynchpin of American retail, seem to have become deeper and more frequent*

tive who in many ways personifies Americans in general—past and the present. He had a dozen credit cards, a home loan that he had recapitalised (in line with the market value) and typically lived 'pay cheque to pay cheque'. Not any more. Today, he has just three credit cards, has rescheduled his home loan and most importantly, has begun to save money. Americans, after living way beyond their means, have finally come to realise that thrift is, after all, not a bad word. The savings rate, which remained near zero for years, shot up to 6.9 per cent in May— the highest since December 1993. Between January and May, total savings amounted to a whopping $768.8 billion. They are cutting back on the use of plastic money. Total credit card debt declined from $972.7 billion by end-2008 to $928 billion in May this year. The overall consumer credit, too, has fallen over the months. The results are showing. Debt-related stress fell 12 per cent in June compared to December 2008, according to an Associated Press poll.

San Francisco (July 18): A recent trend at Silicon Valley is to start a swap website. In fact, such sites are proliferating as Americans rediscover the value of sharing. The website www.bookmooch.com, which facilitates exchange of books, saw its membership almost triple between December 2007 and August 2009. Americans are sharing everything—be it books, tools, equipment, cars, homes and even their backyard! Zip Car, the car sharing service, has reportedly seen a 70 per cent increase in membership. Another site, www.bagborrowsteal.com, which rents out luxury handbags, watches and sun glasses, saw its membership soar from 2.5 lakh to 10 lakh in the past 12 months.



Figures are growth in US car sales for the month of July 2009 vis-à-vis July 2008

Detroit (July 22): During the ride from the airport to Ford's world headquarters in Dearborn, I start counting the number of non-American car brands that drive past me. To my surprise—in the home town of General Motors, Ford and Chrysler—three out of four cars were non-American brands and almost all were compact cars. Americans are finally beginning to abandon their love affair with big cars. They are opting for smaller and more fuel-efficient models instead. US car sales in July confirm this trend. Sale of large cars fell 24 per cent while SUV sales slid 36 per cent. But compact cars such as Ford Focus (up 44 per cent), Volkswagen Jetta (31 per cent) and Hyundai Elantra (30 per cent) sold heavily. I ask Alan Mulally, CEO, Ford Motor Company, if the trend is here to stay."We believe that the shift to smaller and more fuel-efficient vehicles is permanent," he responds (See BT's interview with Mulally at www.businesstoday.in).

Chicago (July 24): Millennium Park in downtown Chicago is unusually crowded. So is the museum and aquarium complex. I remember what Anku Nath, Director, Trade Policy Advocacy, US-India Business Council, told me in Washington. Americans are cutting back on holiday travel and instead spending time at home, taking their kids to nearby places of entertainment. They call it 'Staycation'. Spending quality time with kids need not necessarily be costly. The scene is pretty much the same when I visit Lake Geneva in Wisconsin. Prudence has come to replace profligacy as a virtue in the American way of life.

Atlanta (July 26): It is a Sunday and I am at a mall in the suburbs. The section comprising factory outlets is swarming with people while the other side is practically empty. It soon becomes clear that a massive discount sale is on in the factory outlets, where, for instance, a Van Heusen T-shirt costing $36 (Rs 1,728) is being offered at $13 (Rs 624) and a Tommy Hilfiger shirt costing $56 (Rs 2,688) is available at $28 (Rs 1,344). People are just lapping them up. Bottom fishing has come to replace impulsive buying as Americans embrace value buying. Left with few options, retailers across the US are dropping prices to get consumers into their shops. ⊙

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UNDERSTANDING THE "FEMALE ECONOMY"...page 30

Harvard Business Review
SOUTH ASIA

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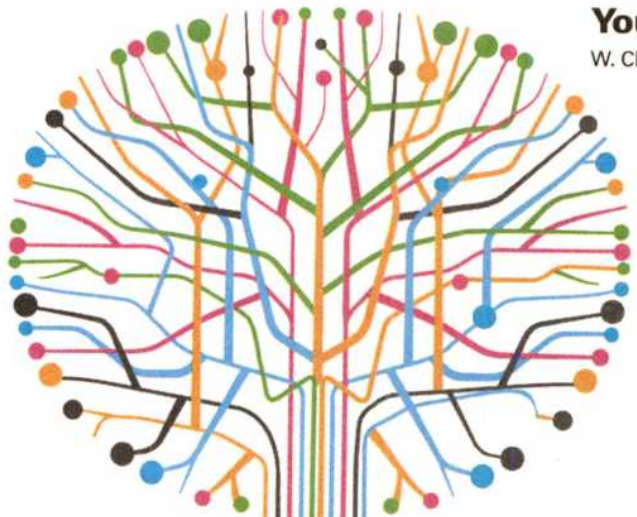
Taking Control of Your Market Space
W. Chan Kim and Renée Mauborgne



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Ram Nidumolu, C.K. Prahalad, and M.R. Rangaswami

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High on Employee Morale

Despite a poor job market, a majority of executives is satisfied with their jobs, reveals a survey.

Reduced headcounts, salary freezes and rough business sentiment: if you thought the gruelling work environment in India would impact employee confidence for long, think again.

A majority of employed executives in India are either extremely satisfied or satisfied in their current position or at least that's what a Korn/Ferry Institute survey reveals. This is in sharp contrast to the US where nearly half of employed executives are either somewhat or very dissatisfied with their current position. The International Executive survey was administered to CXOs globally during May-June 2009.

According to Joy Nandi, Client Partner (Global Technology Market), Korn/Ferry International, the poll was conducted to gauge the impact of an 18-month downturn. "The high morale in India is indicative of the low intensity of downturn. Senior executives are seemingly more confident that they have steered the company well in rough economy," he says.

Does it mean things are looking up across India Inc.? "Yes. The first quarter of the current financial year has been good after two rough quarters," says Tapan Mitra, Chief of Human Resources at Apollo Tyres.

The company has paid corporate performance bonus at 110 per cent for the April-June quarter of the current financial year whereas no bonus was paid in the last two quarters of last year. "Employee morale is at a high after a long gap across all levels. There is growth with auto sector doing well and new plans such as our Greenfield plant in Chennai are taking shape," says Mitra.

According to Sonal Agrawal, CEO of executive search firm Accord Group India, most Indian companies have also been quick to rationalise costs and focus on productivity resulting in better-than-expected first quarter results, particularly in auto, cement and consumer durables.

"India Inc. certainly seems more optimistic compared to the US and Europe. While the euphoria of 2007 has obviously died down, green shoots abound and the relatively high rate of growth in the Indian economy, compared to the western world, is adding to the positivity," she says. ⊙

SAUMYA BHATTACHARYA

Q1. Which best describes employee morale within your company?

Outstanding	10%
Good	33%
Fair	23%
Poor	12%
I am currently unemployed	22%

Outstanding	23%
Good	48%
Fair	19%
Poor	0%
I am currently unemployed	10%

Q2. How satisfied are you with your current position?

Extremely satisfied	6%
Satisfied	31%
Somewhat dissatisfied	25%
Very dissatisfied	8%
I am currently unemployed	30%

Extremely satisfied	11%
Satisfied	36%
Somewhat dissatisfied	33%
Very dissatisfied	7%
I am currently unemployed	13%

Q3. Do you aspire to have your boss's job?

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Vice President- International Sales(Managed Services)
Location: Bangalore, Delhi
Job ID: 5425505
Description: IPSoft, the fastest growing MSP in the USA is looking for VP-International Sales(Managed Services).Will head the team of Senior Business Development Executives and Senior Engagement Managers.

Exterran Energy Solution India
Sr Process Engineer
Location: Chennai
Job ID: 7344116
Description: Required min 8yrs of exp havi good knowledge of the relevant codes a standards such as API, NFPA etc., and al conversant with any of the major indust software tools like HYSYS, Flarenet, HTF etc.

Symantec Corporation
QA Manager
Location: Chennai
Job ID: 7342183
Description: Will be responsible for managing teams that: develop and execute automated test suites; develop and execute software test plans; analyze and write test standards and procedures.

Firstsource Solutions Limited
Manager Workforce Management
Location: Mumbai
Job ID: 7342052
Description: Responsible for t management of customer call volur forecasting, tracking, and planning through the enterprise-wide group of call cente create and modify staff scheduling and more.

Tata Autocomp Systems Limited
Manager Finance
Location: Pune
Job ID: 7340181
Description: Responsibilities would include- overseeing excise & service tax, overseeing CST & VAT, replying to show causes and appeals, statutory compliance of all the relevant Acts including tracking report, etc.

Thomson Reuters
Senior Manager - Technology(Quali Assurance)
Location: Hyderabad
Job ID: 7339422
Description: Applicant must have BF experience; experience of handling U business; hands on with Manual & Automat Testing; should be able to handle team of 50 able to set up project processes from scratch.

Wipro Infotech
Practice Manager
Location: India
Job ID: 7337315
Description: Job holder must have good knowledge of domain specific ISV (Independent Software Vendor) solutions; good written and oral communications particularly with respect to preparing and delivering presentations; and more.

Virtusa (India) Pvt Limited
SOA Architect
Location: Hyderabad
Job ID: 7314285
Description: Applicant must have expertise Java/J2EE, Web services, SOA, ESB Servicemix, Enterprise Integration Patterr exposure to product development, visuali the product architecture & roadmap and mor

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Airvana Networks India Pvt Ltd
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Location: Bangalore
Job ID: 7287692
Description: Strong domain knowledge in CDMA or UMTS wireless protocol domains, carrier grade product development, Linux internals, C++ programming with strong knowledge of software development processes.

Accenture Services Pvt. Ltd
Biztalk Testing Professionals
Location: Hyderabad
Job ID: 7351050
Description: Looking for candidates with experience in BizTalk Server, SQL Server, Web Service with Functional Testing deliverables, STLC Artifacts with 2 to 6 years of experience

Patni Computer Systems
SAP CRM Functional Consultant
Location: Mumbai
Job ID: 7340389
Description: Incumbent must have experience in CRM Middleware enabling, change control; experience in blueprinting exercise and implementation of CRM marketing, sales and services, Gap analysis and pro.

Oracle Financial Services Software Ltd
Sharepoint Developer
Location: Bangalore
Job ID: 7339760
Description: Looking for BCA/MCA / Any graduate with computer science bankground; expertise in Net, MS SharePoint, MS SqL database, XML, Infopath.

TATA Consultancy Services Ltd.
Netezza database developers
Location: Chennai
Job ID: 7277305
Description: Required candidate should possess 4 to 8 years of relevant experience working on Netezza based technologies- Netezza, Oracle & Unix.

Robert Bosch Engineering and Business Solutions Limited
Software Engineer
Location: Bangalore
Job ID: 7342121
Description: Candidates with AX certifications are preferred; must have done min 2 full cycle implementation; exposure to Rapid Implementation Methodology (RIM); Dynamics NAV / Navision candidates; and more.

Tech Mahindra Limited
Sr Tester
Location: Pune
Job ID: 7340104
Description: Applicant must have min 5 yrs exp with hands on exp in IN/charging, familiarity with Oracle and J2EE based applications, SMPP, MM7, MLP, USSD,PAP; programming background required; etc.

New Horizons India Ltd
Team Leader
Location: Mumbai
Job ID: 7333602
Description: TL must be technically sound on hardware (Desktop / Laptop/Server/ Switches); should have good team management knowledge; should have experiences in managing team of 10 people; and more.

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Syntel Inc
India APAC Sales Head
Location: Mumbai
Job ID: 7104347
Description: Person must have handled minimum revenue 15 – 20 million; software solution selling experience is a must; project outsourcing experience.

Oracle
Sales Representative
Location: Bangalore
Job ID: 7253263
Description: Applicant must have d graduation with MBA; proven ability manage complex sales cycle, with a track rec of successful revenue attainment; excell communication /negotiating, etc.

TATA Consultancy Services Ltd.
Market Research - Manager
Location: Chennai, Pune
Job ID: 7306318
Description: Candidate must have knowledge on campaign execution channels, systems and products; experience in marketing domain with detailed understanding of marketing processes; and more.

ICICI Bank Limited
Relationship Manager
Location: Chandigarh, Jaipur
Job ID: 7357318
Description: Candidate must have good cr knowledge for deal structuring and knowle of various products including Trade Fina Cash Management, Treasury and Gen Banking Product and Operations.

Infomedia 18 Limited
Business Development Manager
Location: Delhi, Mumbai
Job ID: 7152389
Description: Responsible for developing relationships with existing customers and selling to new customers; ensure that monthly targets for advertisements and collections of outstanding payments; etc.

Wipro Infotech
Account Manager
Location: India
Job ID: 7322126
Description: Tasks: Drive sales in corporate accounts under the Media Logistics vertical for the region; reports the Regional Business Manager; has to drive revenue and CSAT and more.

Saksoft Ltd
Business Development Manager
Location: Chennai, Delhi
Job ID: 7334439
Description: Tasks:prospecting clients in US for the product/service line of SAKSOFT through market research or internet mining; identify prospects and setting up meetings for the front line sales team; and more.

HDFC Standard Life Insurance Comp Limited
Sales Development Manager
Location: Belgaum
Job ID: 7332754
Description: Aspirant must have g academic record; exp of sales in a Finan services industry; consistently good recor sales or sales management; responsible identify potential financial consultants.

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Virtusa (India) Pvt Limited
Manager – Taxation
Location: Hyderabad
Job ID: 7318447
Description: Looking for a qualified CA with knowledge of India corporate tax principles, India Tax Department administrative appeals process, Transfer Pricing principles, US Taxation & Accounting as per US GAAP, etc.

Thomson Reuters
Finance Specialist
Location: Hyderabad
Job ID: 7339844
Description: Candidate must have accounting - billing expertise and reporting knowledge; SAP exp as an end user with master data and billing; excellent MS Office skills; excellent writen and oral communication skills.

CMS Computers Limited
Assistant Manager-Accounts
Location: Hyderabad
Job ID: 7318588
Description: Petty cash management; maintaing multilocation expences; impressed accounts; expense control; daily cash book preparation; maintaing PLA; statutory payments; provide training to subordinates.

New Horizons India Ltd
Chartered Accountant
Location: Noida
Job ID: 7333063
Description: Responsible for accounting, statutory compliance, and timely closing of books of accounts as per Indian GAAP. Preparation of DFR (Daily Financial report) & monthly Cash Flow.

Dell
Finance Manager
Location: Bangalore, Hyderabad
Job ID: 7331158
Description: Duties include: prepares forecasting/ outlook for business groups; analyzes financial trends and variances to forecasts; recommends actions based on forecast analysis; and more.

Genpact India
Finance Assistant
Location: Jaipur
Job ID: 6444833
Description: Responsibilities: working on General Accounts/Accounts Receivable/Accounts payable/Reconciliation; solving customer queries; audit of loan/lease documents; adhere to standard operating procedures.

Firstsource Solutions Limited
Manager-Internal Audit
Location: Bangalore, Mumbai
Job ID: 7330713
Description: Key functions: manage all audits and special projects; lead the annual audit planning process, including identifying and risk-rating auditable activities, and proposing appropriate time budgets.

AXA Business Services Private Ltd
Accountant
Location: Pune
Job ID: 7317825
Description: Looking for B.Com fresher with good understanding of Bank Reconciliation Statement; minimum 1yr exp in reconciliation; excellent comm skills; knoweledge on capital market would be an added advantage.

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Countdown to Copenhagen

COP15 COPENHAGEN

The climate change negotiations in Copenhagen in December 2009 will be the most important since the Kyoto Summit in 1997. Approximately, 190 countries are participating in an effort to reach an agreement to reduce the greenhouse gases. The negotiations and their outcome will have far-reaching impact on economies and businesses. But like all multi-party negotiations, these too are complex and intricate. Yet understanding them is critical for the future of your business. Here's a primer.

SHALINI S. DAGAR

Q. What are the Copenhagen talks about and why are they important?

Countries across the world are working on an ambitious climate change deal, as a follow-up to the first phase of Kyoto Protocol. This deal will fix the commitments that developed countries will make towards cutting their greenhouse gas emissions after 2012. In the first commitment period from 2008-2012, the developed countries (known as Annex I countries in Kyoto) were supposed to cut their combined emissions by 5.2 per cent from the base year of 1990. That hasn't happened for the most part.

Q. What is at stake?

Well, quite simply, the global environment. Greenhouse gases have already caused a significant melting of the polar ice caps, aberrant and destructive weather patterns such as cyclones and drought, all of which have devastating consequences. Without an accord on reducing CO2 levels, an environmental disaster lurks in the not-too-distant future. Any climate change deal will have far-reaching impact on the immediate and long-term business plans of India Inc.

Q. What will the conference try and accomplish?

According to the Inter-governmental Panel for Climate Change (IPCC), India is at the forefront of limiting the adverse effects of climate change, so it concerns India enormously when the world gets together to reach a consensus on how to do this. Second, the Copenhagen conference will aim for clarity on the nation-

WORLD POLLUTERS

Emissions are reported in carbon dioxide equivalent (CO_2e)

India pollutes less than the rest per capita.....but will catch up as its economy develops.

Source: WRI

ally appropriate mitigation actions that developing countries could undertake. Third, the conference will try and define stable and predictable financing to help the developing world reduce greenhouse gas emissions. And finally, it will try and identify institutions that will allow technology and finance to be deployed. These actions will have significant bearing on India's path to development.

Q. What is India's position? Who is aligned with and against it?

A: India will not exceed the per capita emissions of the developed world. However, India believes that climate change is a global challenge that requires a global response. Hence, no ambitious action on climate change is possible without developed economies bearing their fair share of the burden. In the meantime, India says it will do as much as it can as per the National Action Plan on Climate Change. Since over 700 million people are likely to be affected in the country, India has a stake in doing its bit on climate change but with only 5 per cent of global CO2 emissions at 1.2 tonnes per capita per annum, India says it is hardly in a position to cut its emissions. Most developing countries who expect their emissions to rise from very low levels as they traverse the development path are aligned with India's position. Even countries like China who are, in absolute terms, high emitters, are allied with it, so far. However, developed countries, notably the United States, which has in the past eight years done little to fulfill its Kyoto commitments, believe that unless countries like India and China also make binding commitments, no sensible action on climate change will happen.

Q. Has the commitment to limit climate change within the 2-degree band diluted India's position?

In real terms, there is no dilution. However, since India has, for a long time, stayed away from making any commitments on cutting its emissions, many have inferred this statement to be a subtle reneging on commitments. Multilateral negotiations are complex and need to take into account the concerns of various parties. This statement proves that India intends to do what it can on climate change, but it cannot be construed as a commitment to cut emissions.

Q. What does it hope to achieve from the talks?

India expects a robust framework that forces developed countries to take on more stringent commitments towards reducing emissions. It also expects a framework which will outline funding and technology transfers to developing countries to help them adopt green solutions.

Q. What are the possible outcomes? What is the worst case scenario and its consequences?

There are three possible outcomes—a breakthrough climate change deal, a complete failure of talks where developed countries do not make any commitments to the post-2012 period, or a more plausible interim solution where some issues are worked out. Copenhagen is unlikely to be the endpoint as far as climate change talks are concerned. While the second scenario could possibly be the worst case scenario, with the Obama administration in power in the US, the world is quite hopeful that something constructive will come out of the talks. ⊙

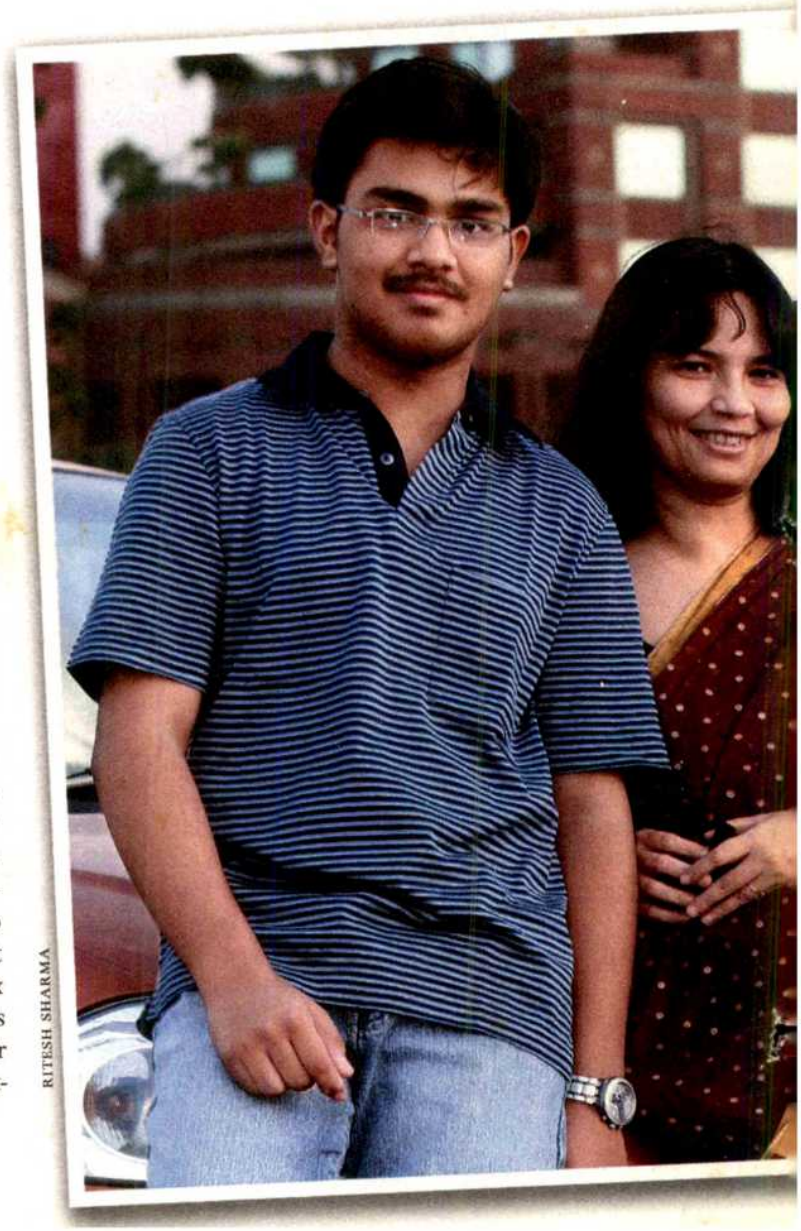
What the Tax Code Means to You

The draft direct tax code, if implemented in its current form, promises to be a game changer for individual taxpayers as well as for personal finance. *BT* shows how. MANU KAUSHIK AND RISHI JOSHI

Person A (names withheld on request), a young software professional based in Noida, was all set to buy his first house. He had already paid the builder Rs 2 lakh as advance and was awaiting approval for his Rs 20-lakh housing loan. But he isn't sure of buying a house anymore, and has requested the bank to put his loan application on hold.

Person B, a Bangalore-based sales executive, has painstakingly created what financial planners would call a balanced insurance portfolio, with term policies making up one half and ULIPs, money-back and children's growth plans the other. But B is now seriously thinking of closing all but the term policies before 2011 and starting afresh.

Indeed, 2011 is weighing on the minds of these individuals. Twenty-eleven is when the direct tax code, a draft of which has been put out in the public domain for comments, will come into force, replacing the Income Tax Act, 1961, that has governed individual taxpayers in the country and shaped their personal finance philosophies. Similar concerns are likely to preoccupy the minds of most salaried individuals, who may be called sooner than later to relook at their personal finance strategies and recast them in accordance with the tenets of the new tax code. But what is it about the new tax code that's forcing individuals such as A and B to rethink their financial plans? What does it mean to individual tax-



RITESH SHARMA

payers? *Business Today* answers these questions as it demystifies the new code for the salaried person in terms of benefits and liabilities to them and how it impacts their investment and tax planning.

To begin with, the draft code proposes to widen the taxpayers' base by simplifying the provisions for the common man and increasing the tax slabs substantially to encourage compliance. Also, applying the concept of give and take, while the new code lowers tax rates, it seeks to do away with current exemptions. So, how does all this impact a salaried person? The bad news is that tax will now be calculated on a person's net pay. Explains Amitabh Singh, Partner (Tax & Regulatory Services), Ernst & Young: "Typically, for a person earning a gross salary of Rs 10 lakh a year today, cash and perks is in the ratio of 60:40. At present, he is taxed on the entire 60 per cent cash part, while the remaining 40 per cent is either tax-free or partially taxed. The new code would tax both cash and perks."

But the good news is that an individual's tax burden would reduce substantially with the new code expanding the tax slabs, thereby putting more money in his hands. Another major plus is expansion of the exemption limit on savings to Rs 3 lakh from Rs 1 lakh earlier *(see case studies)*. However, people with annual incomes between Rs 10 lakh and Rs 25 lakh, i.e., mid- and senior-level executives, stand to benefit more from the expanded slabs than those earning less. A back-of-the-envelope calculation shows that while the tax liability of a man earning Rs 7.5 lakh a year would go down by 56 per cent under the new code, it would reduce by a whopping 80 per cent for an individual with an annual income of Rs 20 lakh. "Besides the expanded tax slabs, individuals in the higher bracket will benefit hugely from the removal of surcharge and education cess as well" says Surya Bhatia, Principal Consultant, Asset Managers.

By withdrawing exemptions on perquisites, the new code puts an end to the practice of structuring salary to save that extra penny in tax.

Arin Chakraborty (with wife and son), 47, Country Manager in a Multinational; CTC: Rs 19,52,401

Income	Existing	Proposed
Basic	5,65,440 ○	5,65,440 ○
HRA	2,82,720 ⊙	2,82,720 ○
Allowances*	4,04,174 ⊙	4,04,174 ○
Bonus	3,43,200 ○	3,43,200 ○
PF	67,854 ⊗	67,854 ○
Perquisite Loan	86,000 ○	86,000 ○
Gross Salary	17,49,388	17,49,388
Less Exemptions	-4,14,630	NA
Less Interest on Housing Loan	-1,50,000	NA
Less Deductions u/s 80C	-1,00,000	-3,00,000
Net Taxable Income	10,84,758	14,49,388
Income Tax#	2,29,427	1,73,878
Education Cess @ 3%	6,883	NA
Total Income Tax	2,36,310	1,73,878
Income Tax/ Gross Salary	13.51%	9.94%

○ Fully taxed ⊙ Partially taxed ⊗ Not taxed
*Includes conveyance, medical & leave travel allowances
# Tax is calculated on pro rata basis based on the tax slabs
NA= Not applicable in the new tax code All figures in rupees
Source: TaxManager.in

RITESH SHARMA

Deepak Sharma (with wife and son), 32
Senior Specialist in a software MNC; CTC: Rs **8,06,562**

Income	Existing	Proposed
Basic	2,49,600 ○	2,49,600 ○
HRA	1,49,760 ⊙	1,49,760 ○
Allowances*	1,66,922 ⊙	1,66,922 ○
PF	29,952 ⊗	29,952 ○
Variable Pay	40,328 ○	40,328 ○
Gross Salary	6,36,562	6,36,562
Less Exemptions	-1,74,992	NA
Less Deductions u/s 80C	-1,00,000	-3,00,000
Net Taxable Income	3,61,570	3,36,562
Income Tax#	27,314	17,656
Education Cess @ 3%	819	
Total Income Tax	28,133	17,656
Income Tax/ Gross Salary	4.26%	2.77%

○ Fully taxed ⊙ Partially taxed ⊗ Not taxed
*Includes executivel & leave travel allowances
#Tax is calculated on pro-rata basis based on the tax slabs
NA= Not applicable in the new tax code All figures in rupees
Source: TaxManager.in

However, a more profound impact of the new code will be on the investment and tax planning habits of individuals. By withdrawing exemptions on perks, the new code seeks to put an end to the practice of structuring salary to save that extra penny in tax. Says Vikas Vasal, Executive Director, KPMG: "While some clarity still needs to come on how the perks and reimbursements will be taxed, it seems that government is willing to tax every source of your income."

Impact of EET Rule

The new code also proposes to bring the various saving schemes under the EET (exempt-exempt-tax) regime from the current EEE (exempt-exempt-exempt) rule. This would mean that investments in schemes such as the Public Provident Fund, National Savings Certificate, National Savings Scheme, Unit-linked insurance policies (ULIPS) and money back insurance plans schemes will be exempt from tax at investment and during the investing phase but the withdrawal amount will be added to your total income and taxed as per the applicable income tax rates at the time of withdrawal. "However, there will be no tax on rollover of money withdrawn from one account of the permitted savings scheme to another as it will not be considered a withdrawal," says Deepak Jain, CEO, TaxManager.in. On the other hand, proceeds from a pure life plan and policies of life insurance and policies whose premium is less than 5 per cent of the sum assured have been kept tax-free. In addition, incentives for medical insurance have been retained. So, individuals will continue to enjoy tax benefits on medical insurance premiums up to a maximum of Rs 15,000 (Rs 20,000 for senior citizens) for themselves and their spouse and kids and an additional Rs 15,000 (Rs 20,000 for senior citizens) for their parents.

Insurance

Experts think the EET regime will have a significant negative impact on the insurance industry, which has been aggressively selling investment products couched as insurance policies, as well as on certain sections of taxpayers,

such as senior citizens. "It is evident that the government is discouraging people to look at insurance schemes as high-return, short-term savings instruments. The focus is to push people to invest in schemes such as the New Pension Scheme and superannuation funds, which will help them secure their retirement," says Himanshu Kohli, Founder Partner, Client Associates.

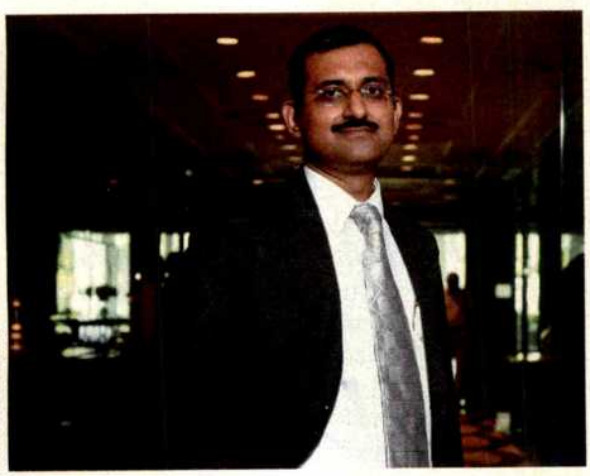
Market observers believe the EET regime can mop up the savings of the retirees as well as people with imminent retirement. "The proposed threshold (Rs 2.4 lakh) for senior citizens is very low. Typically, senior citizens manage their expenses from the money they periodically get from various saving schemes. If the government wants to tax those schemes, then the threshold should be raised to Rs 6 lakh," says Vasal, adding that the age qualification for senior citizens should be brought down from 65 to 60.

Lesser Avenues to Save

The new code allows only four specified savings intermediaries, including approved provident funds, superannuation funds, life insurance and new pension system trust. Both equity-linked savings schemes (ELSS) and fixed deposits (FDS) with a tenor exceeding five years will no longer enjoy the tax benefits. "This is a big shift. Some years ago, ELSS schemes were introduced to boost the retail investors' presence in the stock markets. I think the government now realises that the participation of retail investors in markets is fairly good," says Vasal. The code retains the rebate on tuition fees of children.

Home Loans

The code deals a major blow to home loan borrowers. In addition to taxing the house rent allowance, it disallows waiver on interest payment up to Rs 1.5 lakh if a person is staying in his own house. Nevertheless, if the same house or a second house is given on rent, the person will get the tax benefits on interest payout and, that too, unlimited interest payment. Tax experts feel the removal of tax benefits on interest on housing loan may prevent individuals from going for a housing loan. "In order to promote people to have their own house, this section needs some alteration. Owning a house is still a dream for many Indians," says Vasal.



SATISH KAUSHIK

"While clarity needs to come on how the perquisites and reimbursements will be taxed...government is willing to tax every source of your income "

Vikas Vasal/ Executive Director/ KPMG

RAMEN SARKAR

UPSIDE

- Simple tax regime. All direct taxes will be under a single code.
- Expansion of I-T slabs should put more money in your hands.
- You can claim deductions up to Rs 3 lakh on investments. It's Rs 1 lakh now.
- Deductions on interest on educational loans will continue.
- Securities transaction tax (STT) will be abolished.

DOWNSIDE

- Perks like free housing, medical care, LTA, etc., will be part of your taxable income.
- Retirement savings to be taxable at withdrawal.
- Fewer investment instruments will be eligible for tax deductions.
- Up to Rs 1.5 lakh deduction on interest on home loans to go.
- Uniform capital gains to be applicable on all transactions.
- Only pure life insurance products to be tax exempt on maturity.

Stock Investments

The code scraps the distinction between long-term and short-term capital gains, and does away with the securities transaction tax (STT). Experts believe these moves will increase retail participation in the stock markets—through both direct and mutual fund route. "Stock market investors won't have to wait for 12 months to reap the benefits of an upsurge in a fund or the stock price. This will benefit those who conduct a higher number of transactions in the stock markets or mutual funds," says Kohli. So, if a person sells the asset, whether property or stock or debt fund, capital gains will be included as a part of income and taxed accordingly. ⊙

COMMENTS & FEEDBACK AT
btfeedback@intoday.com

Index Funds Vs Active Funds

With major indices taking a breather, should you make the switch to actively managed funds? CLIFFORD ALVARES

With their low expense charges and large cap market exposure, index funds mirror the economy's performance really well. Market experts often recommend index funds to investors who want to take a first-time exposure to the stock market. As these funds invest and hold the same stocks as, say, the Sensex, in a similar proportion as it is calculated in the index, they are fairly standard products. Their objective is not to beat or outperform the index, but to follow them. By contrast, an active fund tries to beat the benchmark it follows. Now, as stock market indices have shifted from rapid acceleration to a neutral gear, the big question is: should you switch out of the vanilla index funds and into actively managed funds?

As the stock markets are in a consolidation mode now, active funds are likely to outperform the indices. In the last six months, actively managed funds returned 76.5 per cent on average, while index funds returned 65.9 per cent. Says Hemant Rustagi, CEO, Wiseinvest Advisors: "There's a whole universe of stocks outside the indices, and investors should participate in their growth."

However, if you have a 10-15 year horizon, chances are that index funds will beat the actively managed funds by some distance due to the lower fee structure. Besides, it gets increasingly difficult to beat the market on a regular basis year after year for a long period of time. Also, for investors who have just begun their investing journey and who believe in the India story, there's no denying that index funds are the best way to start. An index portfolio is made up of strong large-cap blue chip companies and funds with a lower tracking error are generally better placed. Says Viraj Ghatlia, VP Strategic Solutions, ASK Wealth Advisors: "Over long periods of time, index funds do well. It takes the risk out of active fund investing and is ideal for investors in the long run as part of your asset allocation."

But the advantage of sticking to an index fund may provide low comfort, particularly, with the frontline indices having surged 92 per cent since March 5 this year. Index funds work only in the initial stages of a rally. And as the rally progresses, stocks outside the index begin to rise.

On the other hand, the Indian stock markets lack depth of volumes and players, which provide a lot of leg room for fund managers to actively pick stocks. Says Sandesh Kirkire, CEO Kotak Mutual Fund: "As markets have gone through an entire lifecycle, it becomes difficult to beat the indices and that's where passively managed funds do well. In India, there are many opportunities as private equity is nascent, capital markets are growing, so it offers a good platform for fund managers to do well."

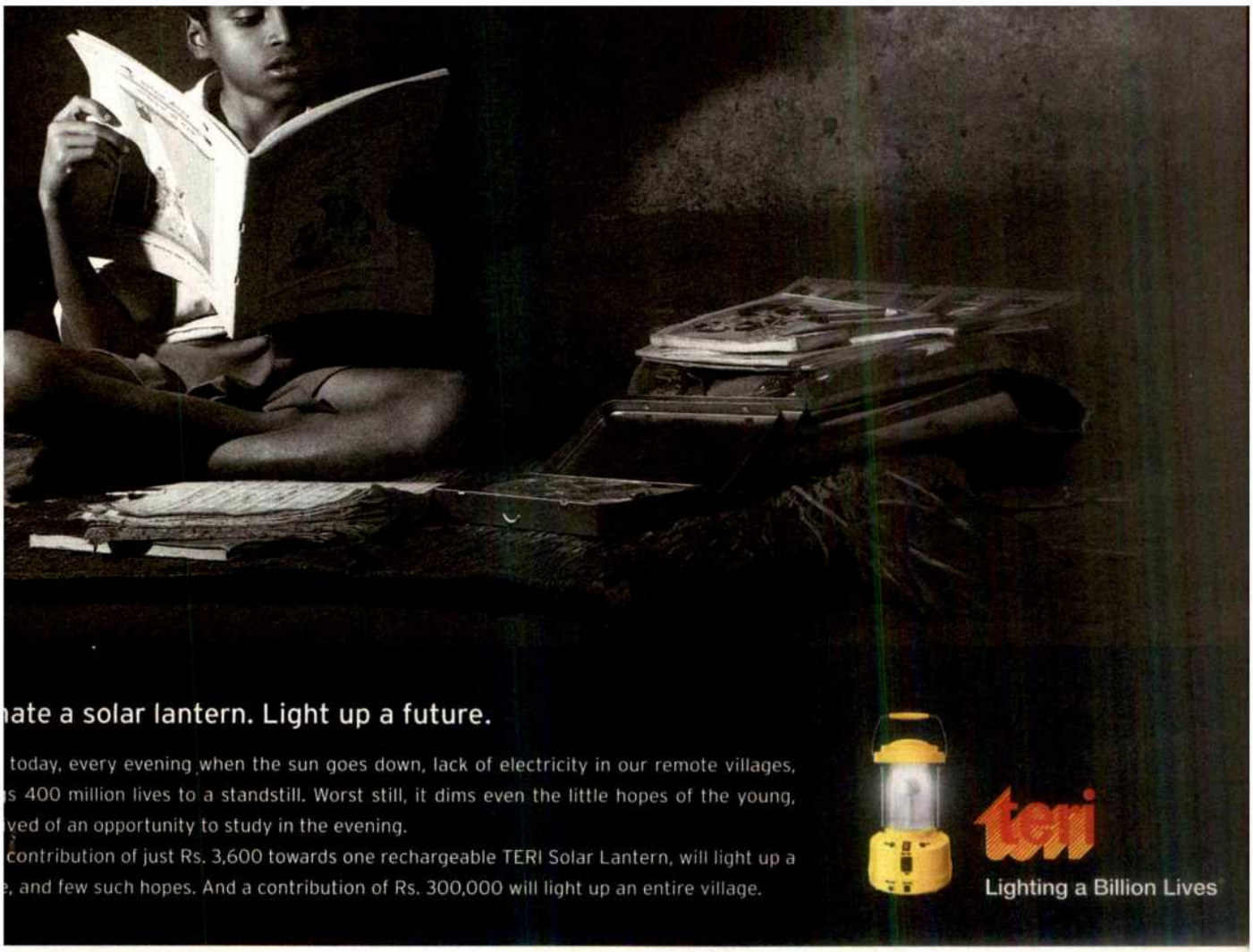
But investors switching from index funds should not enter into aggressive mid- and small-cap funds, but instead look at diversified funds with a healthy large cap exposure and some mid- and small-cap stocks. Says Rustagi: "Otherwise, it will alter your risk profile."⊙

RIGHT ON TRACK

Funds with lower tracking errors mirror their respective indices very closely.

BSE Sensex Funds	NAV (Rs)	6-month Return	1-year Return	2-year Return	Tracking Error
Kotak Sensex ETF	154	73	8		0.37
Tata Index Sensex A	37	71	5	2.64	0.97
Franklin India Index BSE Sensex	43	72	7	5.03	1
UTI Master Index	47	72	5	3.43	1
HDFC Index Sensex	128	69	3	-0.23	3
BSE Sensex		**72**	**7**	**4**	
S&P CNX Nifty Funds					
Quantum Index	456	65	6.00	-	0.43
UTI Nifty Index	28	64	5.08	4	0.80
Tata Index Nifty A	27	63	4.20	4	1
Franklin India Index NSE Nifty	36	65	5.23	5	1
UTI Sunder	475	65	7.07	6	1
S&P CNX Nifty		**66**	**6**	**5**	

Data as on August 21, 2009; ranked as per tracking error; Returns, Tracking Error in per cent Source: Valueresearchonline.com



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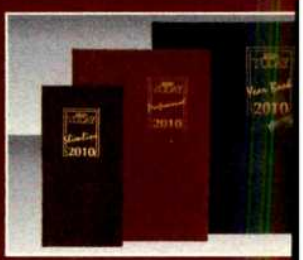
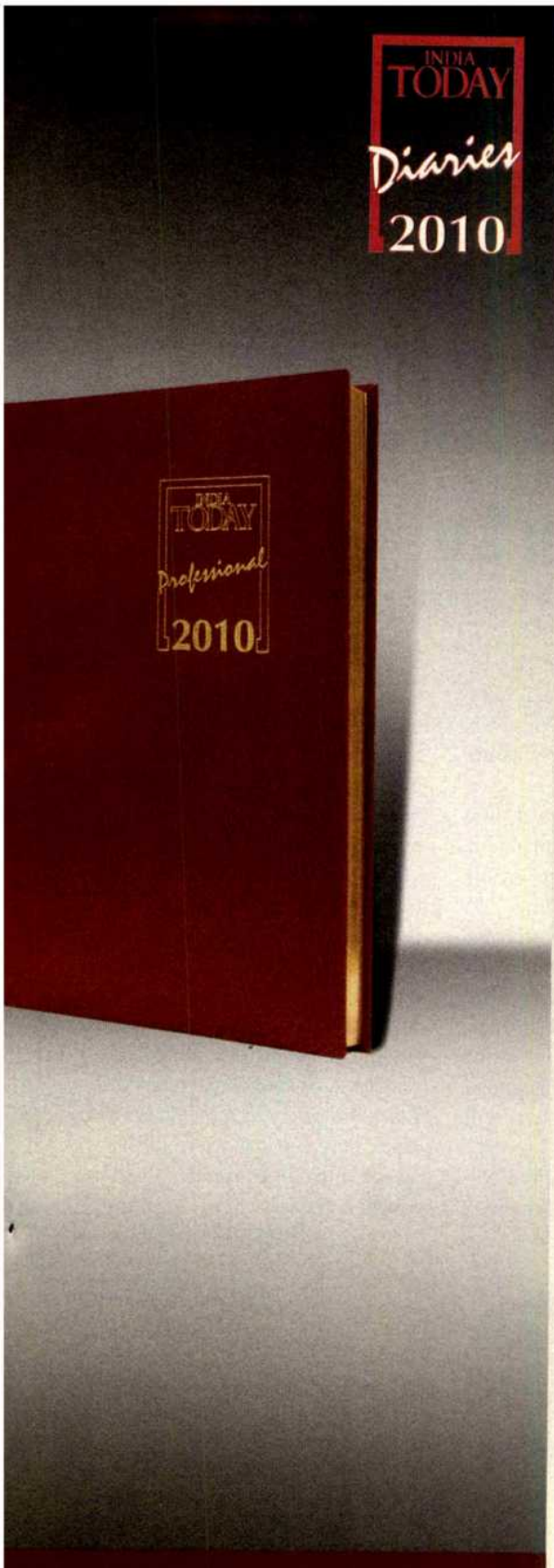
2-DATES-A-PAGE:
* POCKETLINE

PAGE-A-DAY:
* COMPANION * PAGE-A-DAY * EXECUTIVE



GIFT ITEMS:
* LEATHER SET *LEATHERETTE SET



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	DIARIES					
	FORMAT: WEEK -AT-A-GLANCE					
IT201	YEARBOOK (Leather)	22*27	999	899		
IT101	YEARBOOK	22*27	625	565		
IT111	YEARBOOK (Black)	22*27	625	565		
IT202	SLIMLINE (Leather)	9*18	325	295		
IT104	SLIMLINE	9*18	200	180		
	FORMAT: 2-DATES-A-PAGE					
IT110	POCKET LINE (Leather)	8*10	145	130		
IT108	POCKETLINE	8*10	85	80		
	FORMAT: PAGE-A-DAY					
IT106	EXECUTIVE	22*27	565	510		
IT112	EXECUTIVE (Black)	22*27	565	510		
IT107	PROFESSIONAL	18*26	495	445		
IT109	COMPANION	18*24	450	405		
IT102	PAGE-A-DAY	13*19	395	355		
	GIFT SETS					
IT200	LEATHER SET (Yearbook / Slimline / Address Book)		1795	1615		
IT205	LEATHERETTE SET (Yearbook / Slimline / Address Book)		995	895		
	ADDRESS BOOKS					
IT203	ADDRESS BOOK (Leather)	13*22	350	315		
IT204	ADDRESS BOOK	13*22	225	205		
	PLANNERS					
	FORMAT: PAGE - A- DAY					
IT217	EXECUTIVE PLANNER (Leather Black, with calculator)		1465	1320		
IT210	PLANNER (Leather Red, with cell case)		1395	1255		
IT211	PLANNER (Leather Tan, with cell case)		1395	1255		
IT216	PLANNER (Leather Black, with cell case)		1395	1255		
IT212	PLANNER (Leather Red, with calculator)		1395	1255		
IT213	PLANNER (Leather Tan, with calculator)		1395	1255		
IT215	PLANNER (Leather Black, with calculator)		1395	1255		
IT218	EXECUTIVE PLANNER (Leatherette Black, with calculator)		975	880		
IT214	PLANNER (Leatherette Black, with cell case)		725	665		
IT219	PLANNER (Leatherette Black, with calculator)		725	665		
	FORMAT: WEEK- AT- A-GLANCE					
IT222	MINI PLANNER (Leatherette) (Black, Brown, Golden, Red, Silver)		495	445		
	GIFT SET					
IT225	PLANNER & MINI PLANNER (Planner Leatherette Brown with Calculator) (Mini Planner Leatherette Brown)		995	895		
	REFILLS					
IT302	REFILLS FOR PLANNERS		500	450		
IT602	REFILLS FOR EXECUTIVE PLANNERS		600	540		

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An Application Party

Microsoft also joins the application marketplace for mobile products. KUSHAN MITRA

Later this year, Microsoft will unveil its new Windows Mobile 6.5 operating system (OS). But even before the new OS hits new devices, Microsoft is tying up with independent software vendors (ISVS) to set up an application marketplace.

But why would Microsoft get into applications? Sumeet Gugnani, Director of Microsoft's Mobile Business in India, feels it will give added value to consumers, who could then pick and choose the types of applications —both productivity and entertainment related—on their device.

Earlier, devices came either preloaded with applications, or else users had to go through a convoluted way to download them. Even if the application was downloaded, because of a lack of product checks, compatibility was an issue. An application might have worked well on one handset, but not on another. Quite a problem for an OS with 40 handsets available at any given point of time. The 'Marketplace' will solve this problem since access will be from the device itself and applications optimised for a particular device will be shown. For example, if a device does not have a touch-interface, applications that take advantage of touch will not show up.

So what type of applications will the Microsoft Marketplace see?

If the successful Apple App Store is any indication, there will be all sorts of applications, from audio renditions of the *Hanuman Chalisa* to games taking advantage of the motion-sensitive controllers available on most phones.

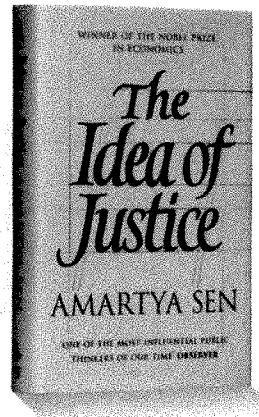
However, having a viable marketplace, as Apple has proven, isn't about making more money but about creating an ecosystem for consumers to use and stay with the product. Microsoft is, along with Google (the Android marketplace) and Research in Motion (makers of the BlackBerry), trying to catch up with Apple here. But first, we would like to see a couple of cool new Windows Mobile 6.5 handsets.

'Afford' Berry

With the BlackBerry 8520, Research In Motion (RIM) wants to change the affordability game. The device, powered by Airtel, costs just Rs 15,990 and support for up to ten e-mail addresses without Web browsing is Rs 299 a month, even for pre-paid users. The full-featured plan, with unlimited data that includes Web browsing, costs Rs 899 (also available on pre-paid).

There are some catches in the plan, however. For instance, users of the basic plan cannot surf the Web at all, but if you get a five megabyte Powerpoint presentation, you can download it. Again, if you Tweet a lot, you can't use TwitterBerry on this, but an e-mail device with an affordable e-mail plan is a great idea for people who really don't surf on the go.

As for the device itself, think of it as the old BlackBerry Curve with a new and rather funky 'Optical Trackpad' instead of the trackball. The device has a speedier processor than the old Curve and runs the new BlackBerry operating system like the Bold and the Curve 8900. It might not be half as good-looking as the Curve 8900, but you know what? Airtel and RIM have packaged a pretty good offer and this might help RIM hit the big time in India. ⊙



PUBLISHER: Penguin Books
PAGES: 468
PRICE: Rs 2,025

The Truth Behind Justice

Amartya Sen shows that the concept of justice cannot be moored to social contracts or ideal institutions but instead needs to be linked to the ground realities of society. AMIT KAPUR

The world of justice in socio-economic-political thought is split between the puritan-transcendental school pursuing institutions of a perfect-just society (*niti*) and the comparative social-choice school seeking realisations of justice (*nyaya*). Amartya Sen brings justice out of its ivory tower into the real world of conflict, deleterious conduct and competing interests-equities. He rejects *niti*'s flaw in confusing the very existence of institutions as proof of existence of justice, which assumes compliant behaviour and ignores the real world. Sen's "idea" is to remedy and minimise injustice—not to chase the chimera of the ideal, just society. As a result, this work has as much to do with governance and society as it has to do with law and justice.

The most attractive element of the work is its realism in accepting that there is no perfect-just society on the horizon—the idea being to chip away at the manifest injustices in moving towards an inclusive and relatively just society. Besides his own work, Sen draws upon landmarks in human history and thought: Arjuna and Krishna's dialogue in the *Bhagavad Gita*; writings of Kautilya and Aristotle; current world challenges of the WTO, human rights, sustainable development and the US invasion of Iraq, as well as Akbar's Din-e-Ilahi, the French revolution, the abolition of slavery and the struggle for women's rights, amongst other things.

Sen's emphasis on plurality is illustrated by the "Flute story" with its competing claims of three children: Anne (who knows how to play a flute), Bob (who is so poor that he has no other toy to play with) and Clara (who made the flute). No decision would be absolutely perfect since the outcome would depend upon the values held by the decision-maker. A utilitarian hedonist would support Anne, an economic egalitarian Bob, while a libertarian would uphold Clara's claim.

Sen makes a strong case for an inclusive, tolerant society based on plurality and open, impartial, public reasoning while demonstrating that human choices are influenced by elements of social behaviour, ethics, sympathy, generosity and public spirit—and not by the single-minded pursuit of self interest. The kind of reasoning that embraces plurality with an open-minded engagement alone can harness the angry divisive socio-economic-political rhetoric seen in recent years. Such engagement alone can restore stability amongst strident, competing claims of alienated groups in the fragmented world order since 9/11.

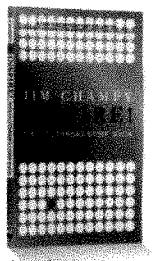
Several manifestations in modern India demand and justify this path: emergence of the voice of the backward castes and regional party leaders (Mayawati, Mulayam, Lalu); expanding citizen's protections in fundamental rights to freedom of speech, expression and life with human dignity while imposing higher accountability of government and statutory institutions enforced by superior courts; imminent risk to the idea of one-nation posed by unresolved feeling of injustice resulting in need to mainstream alienated communities (Kashmir, North-East, naxals); failure to arrest periodic erosion of fiscal prudence by populism leading to distributive injustice and disastrous economic results; a consumer rights as well as a Right to Information movement.

This work is a part of a continuum, representing an inflection point for the dynamic pursuit of justice in context of the real world and changing needs of the times. It remains to be seen as to how many citizens will pick up the gauntlet and contest injustice in their respective spheres of influence. Perhaps this journey towards justice for present and future generations will begin afresh every morning. ⊙

The author is a partner at J. Sagar Associates

This work has as much to do with governance and society as it has to do with law and justice.

BOOKMARKS



Inspire!
By Jim Champy
Pearson Education
Pages: 150
Price: $22.99 (Rs 1,100)

Second in a series of books (*Outsmart* was the first) by best-selling author Champy, this book charts out what it takes to keep customers consistently engaged and excited in their relationships with businesses.

The Satyam Saga
Foreword by Kiran Karnik
Business Standard
Pages: 186
Price: Rs 395

This book penned by a collection of *Business Standard* journalists tries to decipher Raju's epic scam while shedding light on both corporate governance and regulatory loopholes.

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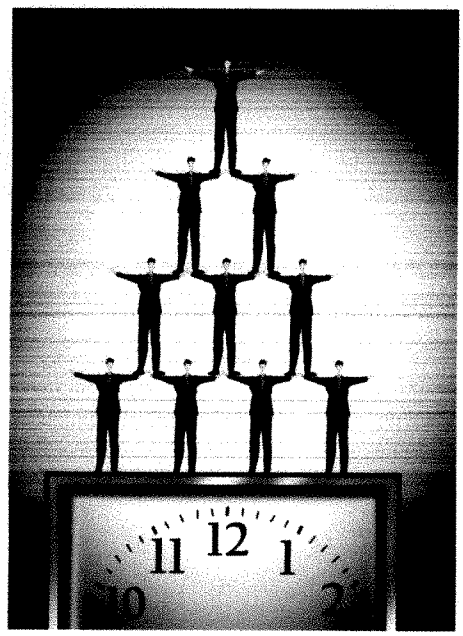
Making Projects Work

There will be surprises in executing even a well planned project. Here is how to tackle them. SAUMYA BHATTACHARYA



RAMEN SARKAR

In a past issue (dated August 23, 2009), we had explained the basics of project planning. Even the best planned projects can—and do—face execution challenges. These could be in team structure, inter-personal problems or productivity issues. As a project manager, focus on results—let go of your need to get involved in how tasks are accomplished. Management consultant Mary Grace Duffy advises you deflect reverse delegation. "Do not automatically solve problems or make decisions for your staff members. Focus on generating alternatives together." This sets the path to effective delegation.

Making projects work need not mean putting in place large teams—more effective could be a small team of core individuals who understand the project—something that Maruti Suzuki India did for one of its crucial projects. The project was the first annual general meeting of the carmaker in 2004 that was to be accomplished in a little over two months. The car major identified a team of 20 across various functions with requisite experience and capability. The team had no prior experience, but that didn't stop them from coming up with an event that set the benchmark for all future AGMs. Says S.Y. Siddiqui, Managing Executive Officer (Administration-HR, IT and Finance), Maruti Suzuki India: "Communication and people management became very important at this stage. Finally, the event was organised through a very effective team effort. We also captured the post-event learning of plan vs. actual to get a balanced view of success and learning for future improvements."

One of the most frequent problems in project management is when the project starts to fall behind schedule. There is a possible solution to this conundrum: Duffy suggests you start by looking at a "drop-dead date"—a date that cannot be changed. The date could be a trade show or the delivery of an audit to a regulatory agency. Work backwards from the drop-dead date to see when deliverables must be ready. Working backwards or "back-chaining" is an excellent way to create a realistic schedule. However, don't rush quality checks to meet deadlines. The cost of fixing problems after project completion is far greater than the cost of confronting and solving problems before they spin out of control, cautions Duffy. That also applies to conflicts within the team. Unanticipated conflict situations can affect project schedule, quality of work, overall productivity and ultimately team cohesiveness. In such a situation, focus on project goals, not personal feelings, says Duffy. ⊙

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BUILDING YOUR TEAM

- List all the people who are part of the project team.
- Factor all the skills that are required.
- Talk to each member about his/her skill set.
- Match people to the skills and tasks required.

TOP 6 STEPS TO SCHEDULE MANAGEMENT

1. Know which deadlines are hard and fast and which have some flexibility.
2. No task should last longer than 4-6 weeks.
3. Don't schedule more detail than you can yourself oversee.
4. Develop schedules according to what is logistically possible. Resource allocation should be done later.
5. Record all time segments in the same increments, such as in days or weeks.
6. Have some flexibility in project schedule for handling problems that might occur later.

Source: *Managing Projects* (Harvard Business School Press)

SUGGESTED READING

PROJECT MANAGEMENT MANUAL
By H. Kent Bowen

A GUIDE TO THE PROJECT MANAGEMENT BODY OF KNOWLEDGE
By David I. Cleland

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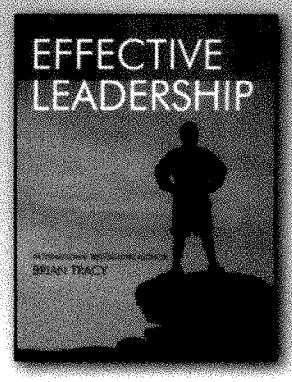

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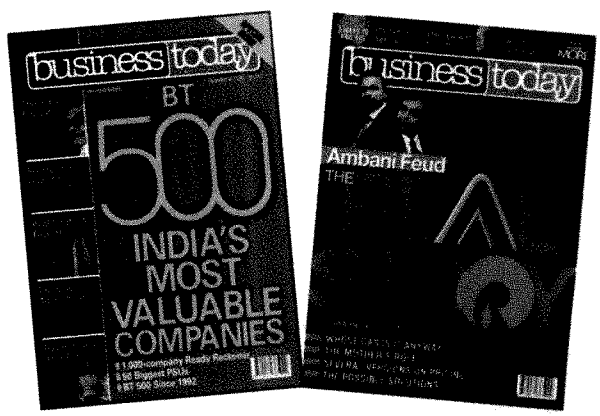

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BiQ

Test Your Business I.Q.

Pandurang from Bangalore *was the first to give us the correct answers to the quiz, published in the issue dated August 23, 2009. So, as we promised, he wins a year's subscription to* BT.

E-mail us the right answers at *btfeedback@intoday.com* or log on to *www.businesstoday.in* to take the quiz online. Correct answers in the next issue of *BT*.

ANSWERS to the questions in the last ISSUE, dated **SEPT. 6.**

1 a. Homo Economicus
2 b. The Long Tail
3 b. Rastapopoulos in the *Tintin* series
4 b. Blue Ocean Strategy
5 b. Olympus
6 a. Timex
7 a. MDH
8 c. Petrol
9 b. Eight Days a Week
10 b. Black Box

1 After the Great War, in 1919, RCA (Radio Corporation of America) was formed by General Electric to absorb the American assets of which company?

- ☐ a. Marconi Wireless Telegraph Co.
- ☐ b. American Telegraphone Co.
- ☐ c. American Film Co, Inc.
- ☐ d. Westinghouse

2 Which tough, tightly-woven fabric, patented in 1888, made the famous Trench Coat of WWI possible?

- ☐ a. Gaberdine
- ☐ b. Linen
- ☐ c. Gabardine
- ☐ d. B.Twill

3 The worst period for Wall Street prior to the current crisis came in 1998 when which country defaulted on its sovereign debt?

- ☐ a. Peru
- ☐ b. Russia
- ☐ c. Argentina
- ☐ d. Mexico

4 Which word/phrase, also the name of a famous TV series starring Bruce Willis and Cybill Shepherd, originally meant "to commit crimes at night"?

- ☐ a. Moonlighting
- ☐ b. Window Dressing
- ☐ c. Night Rider
- ☐ d. Colour of Night

5 Which personality appears on the bank notes of some 34 countries?

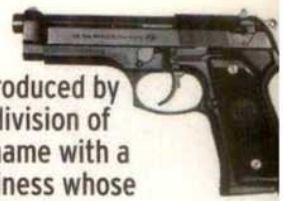
- ☐ a. Mahatma Gandhi
- ☐ b. Karl Marx
- ☐ c. Queen Elizabeth II
- ☐ d. The Pope

6 Which Indian airline has named its in-flight magazine *Aisles & Windows*?

- ☐ a. Paramount Airways
- ☐ b. GoAir
- ☐ c. JetLite
- ☐ d. Kingfisher

7 In 1888, an elephant carrying sleepers for the Assam Railway & Trading Company for laying tracks in Assam was found to have dark coating on its legs. What did this lead to?

- ☐ a. Coal found in Assam
- ☐ b. Oil found at Digboi
- ☐ c. Third Anglo-Burmese War
- ☐ d. Pitch deposit found



8 Which coupé produced by the Chevrolet division of GM shares its name with a family-run business whose famous product is the 9mm, or M9?

- ☐ a. Baby Eagle
- ☐ b. Taurus PT92
- ☐ c. Beretta
- ☐ d. Stoeger Cougar 8000

9 It was believed that his role in the US economy was larger than that of the government. Who?

- ☐ a. Andrew Carnegie
- ☐ b. John D. Rockefeller Sr
- ☐ c. Cornelius Vanderbilt
- ☐ d. J.P. Morgan

10 After the collapse of a bank owned by colonials, prominent Indians registered their own bank in 1907. Initially funded by several Chettiars, it later became known as "the Chettiar bank". Which bank?

- ☐ a. Catholic Syrian Bank
- ☐ b. Indian Bank
- ☐ c. Indian Overseas Bank
- ☐ d. Karur Vysya Bank

ppp

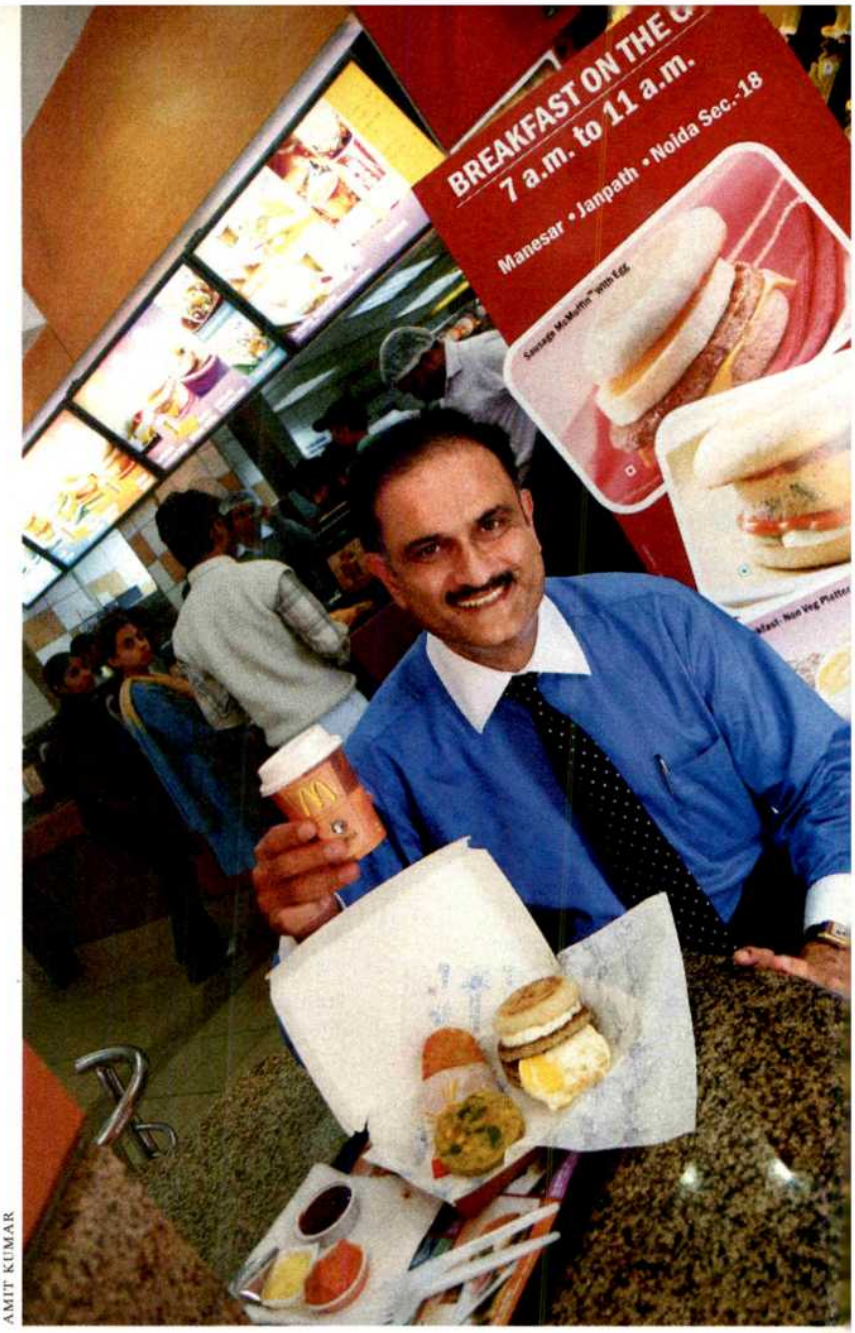
People | Places | Products

ARBIND MODI

The Tax Man

"Every office should have single, ambitious women," says a senior bureaucrat in the Finance Ministry, adding: "They are the only ones who can work from 7 a.m. to 9 p.m. without complaining." He then jokingly adds that **ARBIND MODI** is the Finance Ministry's 'single dedicated woman'. Modi is singularly passionate about tax policy. The Joint Secretary in the Department of Revenue has the distinction of being involved in the authoring of every major report or policy on taxes in the last few years. For UPA 1, he played a major role in scripting the Direct Tax Code under the then Finance Minister P. Chidambaram. Now, he's busy thrashing out the key to Independent India's greatest tax reform—the formula for sharing revenue with the states from Goods & Sales Tax. "The Direct Tax Code isn't just a handbook for how to raise revenue. It attempts to reshape saving, consumption and production behaviour of Indians for the decades to come," says Modi.

MONEY SHARMA



AMIT KUMAR

VIKRAM BAKSHI

The Price Warrior

After advertising lower 'old' prices for some of its products, McDonald's in India is ready to take the plunge once again—this time by reducing the price of its higher-end meals. The rationale, says the company's Managing Director (North and East India) **VIKRAM BAKSHI,** is that increased volumes will more than make up for the drop in prices. In the process, Bakshi hopes many McBurger loyalists will increase the frequency of their trips to the outlets. Was the move necessary at a time when food prices are soaring and reducing prices could affect the margins? Bakshi is upbeat. "You don't take margins to the bank. You take rupees to the bank, and I believe we will more than protect our margins anyway," he quips. One will have to take Bakshi's word for it. He, after all, claims to have successfully 'McDonalised' many people in India. Now which parent will disagree with that?

PRODUCT

The Apple Snow Leopard

OS X Operating System

Apple's latest iteration of its OS X operating system keeps the feline theme with names, but Snow Leopard is a highly tweaked new product. If you have spent a lot of money in the recent past buying one of the cool new MacBook Pro's from Apple (which ran the Leopard variant of OS X), you could consider this $30 (Rs 1,440) upgrade. Think of this as adding a turbocharger to the car where there are few differences on the outside, but the speed just shoots up. Apple's engineers have optimised the operating system to take advantage of the new multi-core processors from Intel that their computers use.

PLACE

Tokyo

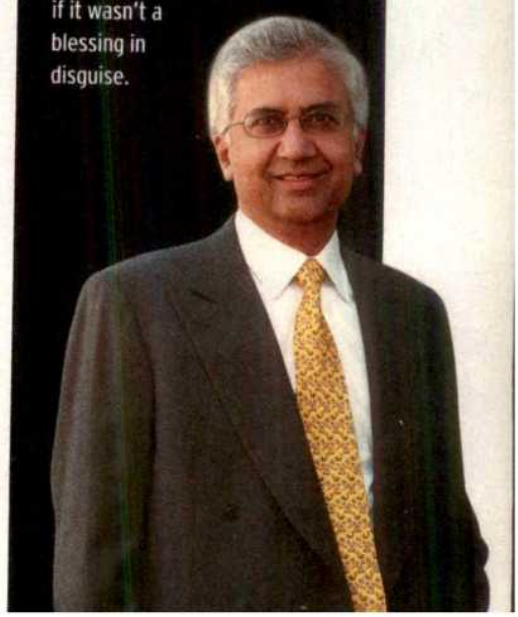
The Parliamentary elections have just got over in Japan on August 30 and the bitter winter months are still some time away. It's just the right time then to visit the Land of the Rising Sun. There is a lot to see in the capital city of Tokyo. The Disneyland is the most visited theme park in Asia and just an hour's drive away is the sacred Mt. Takao. It boasts of hiking courses, historic temples and an exhilarating view from the summit. It's also worth visiting the famous Tsukiji market to enjoy a traditional sushi and fish breakfast. Travelling in the Tokyo subway is simple if you buy a Suica Card to avoid the hassle of constantly buying tickets. ⊙

CONTRIBUTED BY PUJA MEHRA, SHALINI S. DAGAR, DHIMAN CHATTOPADHYAY & SUMAN LAYAK

P.M.S. PRASAD

RIL's Public Face

The bitter cold of northern Europe where he worked for Schlumberger and had to visit oil rigs at odd hours, perhaps, drove P.M.S. PRASAD to seek warmer climes. He returned to India and joined Reliance Industries way back in the early 1980s. Over 28 years later, Prasad knows he made the right choice. In August, he was appointed Executive Director on the Board of RIL. The 56-year-old, who is in charge of the oil exploration & production business, is the second executive in the history of Reliance (after H.S. Kohli) to be elevated to the Board after a long career in the company. Of late, he is the only senior executive in RIL who has freely interacted with the media and is the official spokesperson of the Mukesh Ambani-controlled company in the battle with brother Anil. In his early years, Prasad probably rued the fact that a sudden illness prevented him from joining a medical course to become a doctor, even though he had qualified for it. Today, he may wonder if it wasn't a blessing in disguise.



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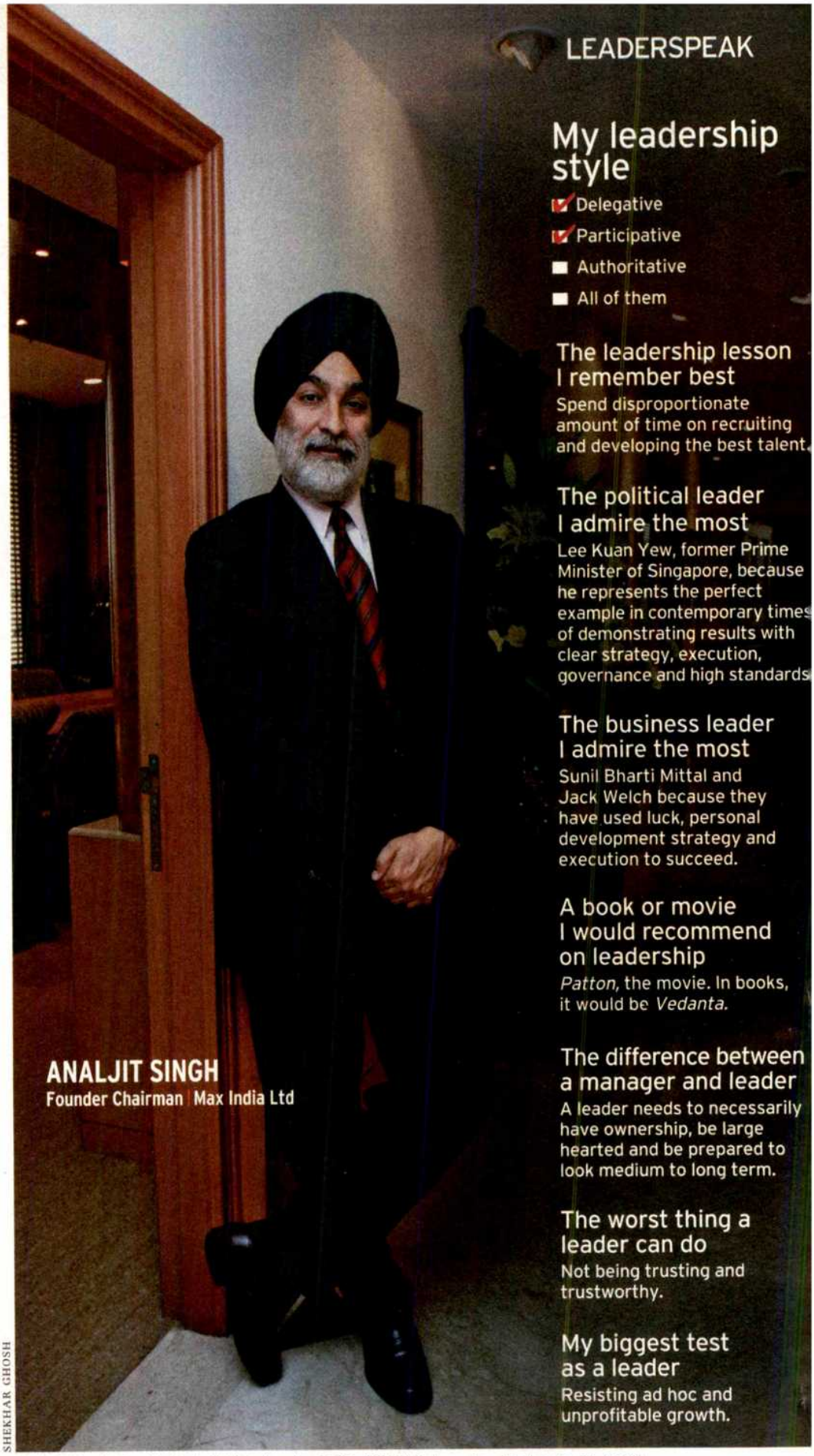

SHEKHAR GHOSH

ANALJIT SINGH
Founder Chairman | Max India Ltd

My leadership style

- [x] Delegative
- [x] Participative
- [ ] Authoritative
- [ ] All of them

The leadership lesson I remember best

Spend disproportionate amount of time on recruiting and developing the best talent.

The political leader I admire the most

Lee Kuan Yew, former Prime Minister of Singapore, because he represents the perfect example in contemporary times of demonstrating results with clear strategy, execution, governance and high standards

The business leader I admire the most

Sunil Bharti Mittal and Jack Welch because they have used luck, personal development strategy and execution to succeed.

A book or movie I would recommend on leadership

Patton, the movie. In books, it would be *Vedanta*.

The difference between a manager and leader

A leader needs to necessarily have ownership, be large hearted and be prepared to look medium to long term.

The worst thing a leader can do

Not being trusting and trustworthy.

My biggest test as a leader

Resisting ad hoc and unprofitable growth.

Vol. 18, No. 19, for the fortnight September 7-20, 2009. Released on September 7, 2009.

Real Estate Buyers Are Back PG 110

Will the IPO Party Fizzle Out? PG 94

India Is Underbranded: Ad Guru Martin Sorrell PG 78

HBR EXCLUSIVE
WHAT A LEADE EXPECTS...
PG 100

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GEN NEXT
The Hidden Leaders

They are not yesterday's start-ups. They are not in the Top 10 listing by size. Taste the thunder of India Inc's entrepreneurial middle rung. PG 40

Left to right: **Anil Gupta,** Joint MD, Havells India; **Patu Keswani,** CMD, Lemon Tree Hotels; and **Namit Malhotra,** Founder & MD, Prime Focu

INDIA ON

Bringing the wireless industry together to enable 3G and beyond for one billion Indians.

Smartphones come alive with a 3G broadband connection - YouTube, social networking and downloading attachments are such an amazing experience now

Enabling 3G and Beyond for One Billion Indians

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From the Editor

What is neither big nor small, low on risk of failure yet high on growth potential, full of start-up type energy and yet not lacking in big business type rigour? We didn't know the answer to this puzzle either when we set out to research for this issue's cover story several months ago. But slowly and steadily a class of entrepreneurs and their businesses started to emerge that fits this description. A class that has been less celebrated than the start-ups or the big business houses. And yet it is a class that, in many ways, combines the key strengths of both the beginners and the big daddies of Indian business. You can call them India Inc.'s middle class—it's as vibrant and promising as the country's middle class consumers. So, why does our cover dub them as "hidden leaders"? They are hidden not because you wouldn't have heard of them. They are hidden because even if you have heard of them, you may not have known the extent of their success—either in carving out a profitable niche or transforming an existing business. In doing so, most of them have also become leaders in their space. It's not as if the middle rung hasn't existed in Indian business before. What sets the 25 entrepreneurs in our list (and many more who we couldn't have possibly reached out to) apart is that unlike the middle rung of the past that mostly survived because of government protection, these folks have thrived in an open and fiercely competitive market. It is this spirit of entrepreneurship that we have tried to capture in our 25-page cover package (pg 40 to 76). In identifying and celebrating the mid-level companies, *BT*'s annual listings now cover the entire spectrum of Indian industry; we have had the very popular listing of India's hottest start-ups and the seminal *BT*500 for several years now. But even outside these three listings, expect more from our series on Gen Next entrepreneurs that we kick off from this issue.

It's more than just entrepreneurship that has made Naveen Jindal's JSPL (Jindal Steel & Power Ltd) India's most profitable private power producer. Last year, its return on equity from power business was highest in the world. On page 88, we explain how it was achieved and whether it can be sustained. Something unusual is going on in the IPO market. Public issues that are getting heavily oversubscribed are listing at near or below their offer price. On page 94, we unravel this high-demand-but-low-price phenomenon. For other mysteries like why sound waves are used to distinguish water from oil and where is the world's longest heated (to 65°C) pipeline being built, turn to page 114.

Rohit Saran

ROHIT SARAN

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Energy savings based upon HP testing using ENERGY STAR® programmes' Typical Energy Consumption (TEC) methods on HP LaserJet products with Instant-on Technology vs. top competitive models as of March 2009. Paper savings based on automatic two sided printing available on select models.

[1] Instant-on Technology, found in many HP LaserJet printers, provides up to 50 percent energy saving over traditional fusing, while delivering a first-page-out up to 50 percent faster than competitive products. Confirmed by third-party testing from QualityLogic Inc.

~Ready mode. ^Power save mode. **Expandable up to 320 MB (for P2055d) & up to 384 MB (for P2055dn).

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The Advent of Edupreneurs

New investors are rushing into the education sector and old players are expanding at a frantic pace. What is drawing so much money into education? Is it time to recognise education as a profit-making business? Read a comprehensive account of entrepreneurs, experts and policy makers to understand the prospects of education business.

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Find out how much IT you need to pay depending on your income and investments.

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Calculate to meet your child's expenses.

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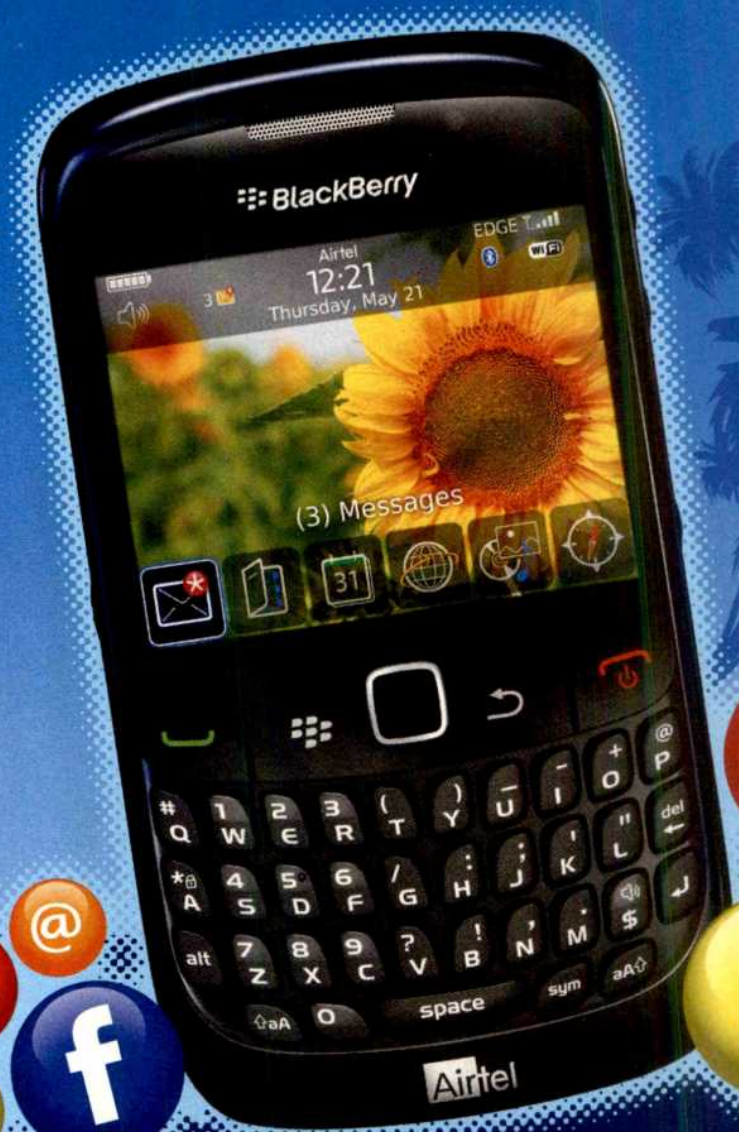

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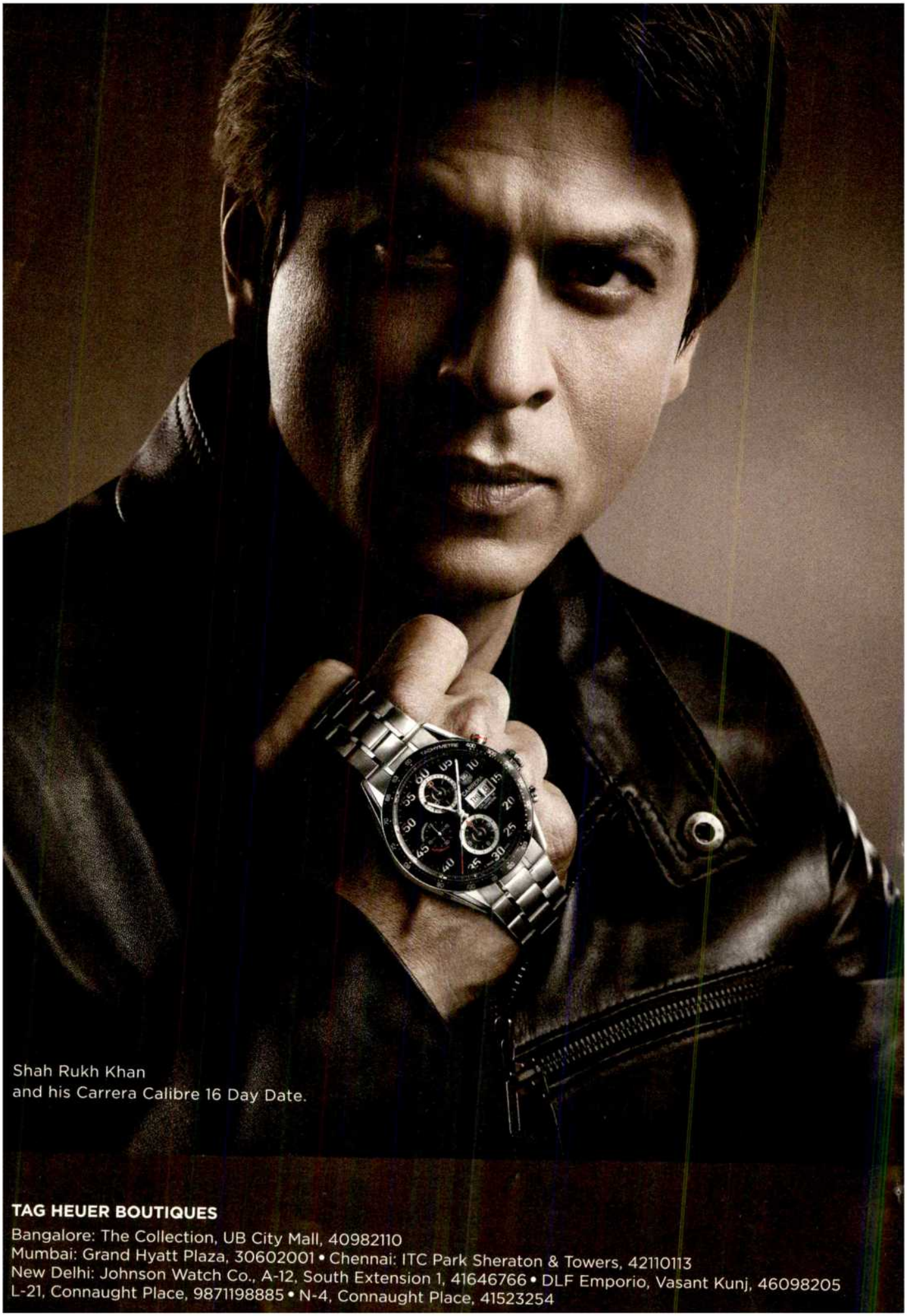

Shah Rukh Khan
and his Carrera Calibre 16 Day Date.

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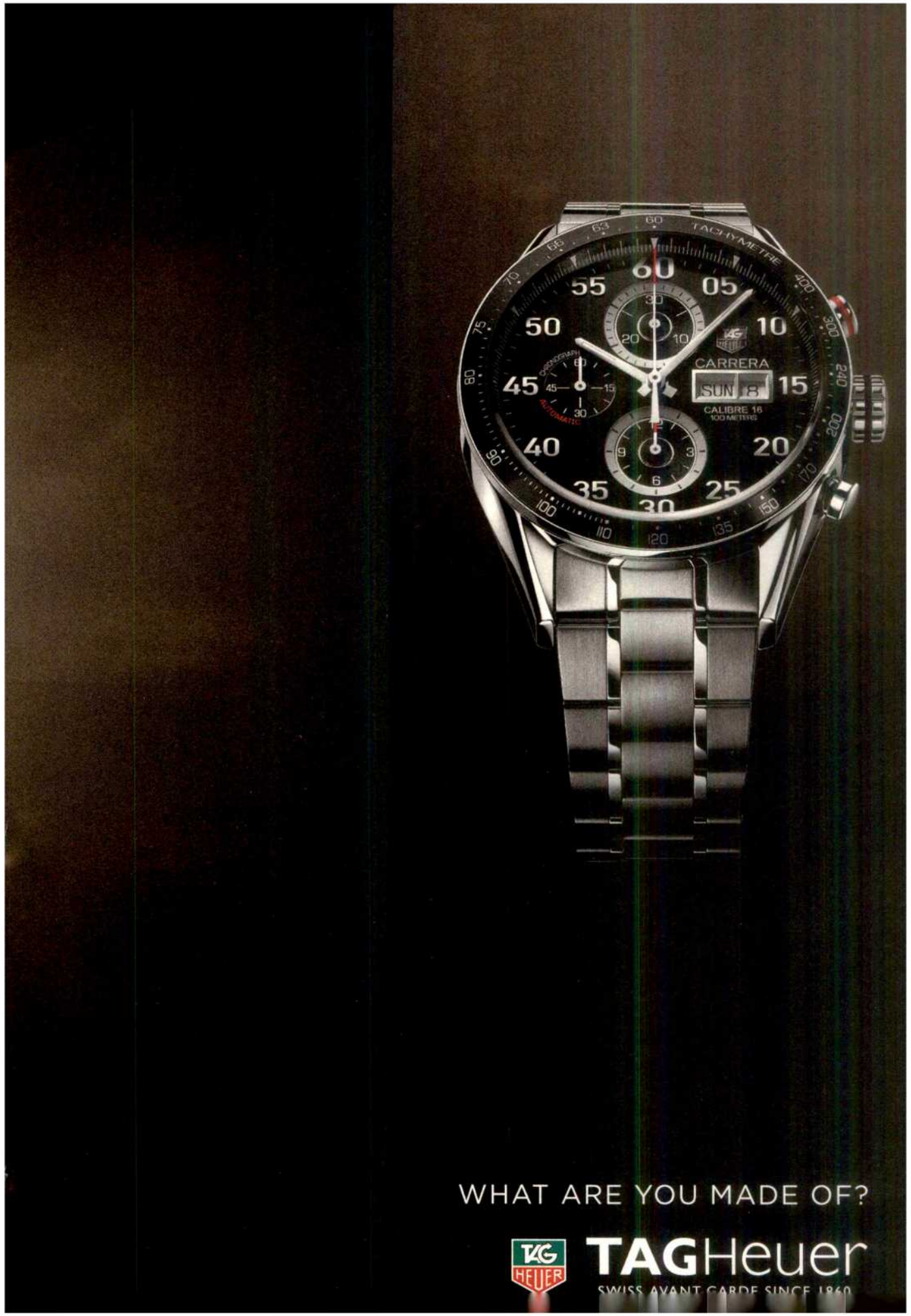
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Left to right: Akshay Bector, MD, Mrs Bector's Food Specialties; Anil Gupta, Joint Managing Director, Havells India; and Namit Malhotra, Founder and MD, Prime Focus

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COVER BY KAPIL & PHOTOGRAPH BY VIVAN MEHRA

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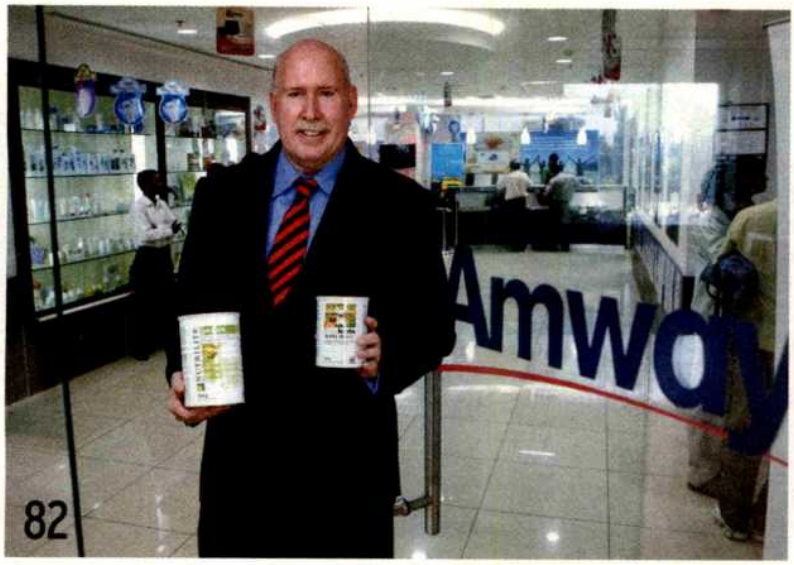

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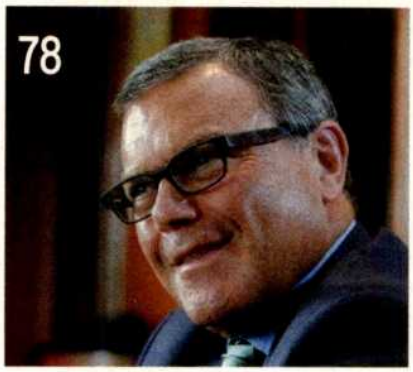

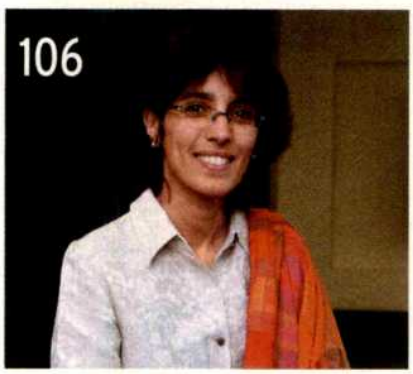

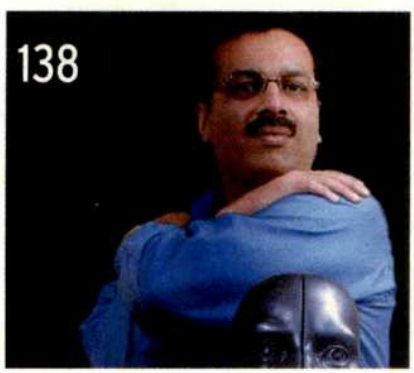

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Message from the Founder / Managin

Dear Stakeholder,

The Indian financial sector has experienced a challenging business environment over the past one year, consequent to difficult global developments. However, YES BANK has continued its steady GROWTH trajectory, and has had a highly satisfactory business and financial performance for FY 2008-09, clearly the most challenging year in the Bank's evolution. Despite the financial challenges, we have been able to effectively demonstrate our combined abilities and competencies in managing and responding to the impact of the global crisis on the Indian Financial Sector and YES BANK. This further gives us the confidence that the terrific resilience and inherent strengths of our young and dynamic Bank will be sustained on a continuous basis, with even greater commitment and dedication in the future years to truly evolve as a WINNER par excellence.

> The sustained success of our bank is based of the Key pillars of Growth, Trust, Technology, Knowledge driven Human Capital, Transparency and Responsible Banking.

RANA KAPOOR - Founder /Managing Director & CEO

YES BANK has adapted and responded extremely well to the challenging economic environment as has been reflected in our sustained FY0 financial performance. YES BANK's business and financial model leverages our established Relationship Capital, consistent revenu generation, while ensuring highly satisfactory **Credit Quality and Service Standards.** These results are an outcome of the concerte strategy of our highly dynamic, entrepreneurial and execution focused management team, to relentlessly build the highest quality bankin organization in India. I also thank all our stakeholders for their contribution and support in making this financial year highly rewarding.

The sustained growth of our Bank is based on the key pillars of **Growth, Trust, Technology, Knowledge Driven Human Capital Transparency and Responsible Banking.** A growing understanding of the need fo **sustainability** in the new knowledge economy framework, has paved the way for a nev generation of business leaders involved with the development of the community, and the nee for socially responsible investing. YES BANK is committed to be a key partner towards furthe augmenting societal responsiveness. As part of the *Triple Bottom Line* approach of **'People' 'Planet', 'Profit',** we have integrated the principles of **Corporate Social Responsibilit and Sustainability** as key business drivers within our Bank as well as in the broader contex of the ***Indian financial community.*** Our sustainability mission is to propel economic growt through **proactive** social and environmental engagement across India.

> As the Professionals Bank of India, it is YES BANK's destination vision to evolve into 'The Best Quality Bank of the World in India'.

Through a host of corporate citizenship and sustainable development initiatives, we a YES BANK have emerged as a responsible banking entity in India with growing credibility. Ou strong sustainability mandate has enabled us to add long-term value to the society, an differentiate ourselves in the marketplace. We are continuously supporting cutting-edg initiatives in areas such as New-Age Technologies including renewable energy, Biotec Sustainable Asset Management, Socially Responsible Investing & Advisory and Soci Entrepreneurship & Microfinance.

YES BANK has also been recognized **amongst the Top and the Fastest Growing Banks' in various Indian Banking League Table** by prestigious media houses and Global Advisory Firms.

As the **Professionals Bank of India**, YES BANK caters to the vast banking needs of Emerging India's Corporate and Retail Communitie Our achievements over this year and our robust performance are a testimony to the united efforts of the entire team that has insulated u against any significant adverse impact arising from developments in the external business environment. This exceptional growth an unparalleled success is a direct outcome of the efforts of all YES BANKers, and I am certain that with your continued valuable suppor YES BANK will emerge even stronger in the future to become India's best private, relationship-driven Banking organization, and steadil achieve our ultimate vision of developing into the **'The Best Quality Bank of the World in India'.**

Sincerely,

RANA KAPOOR
Founder /Managing Director & CEO

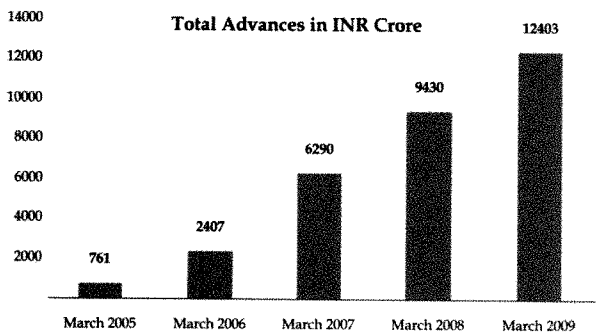
Date: September 3, 200
Place: Mumb

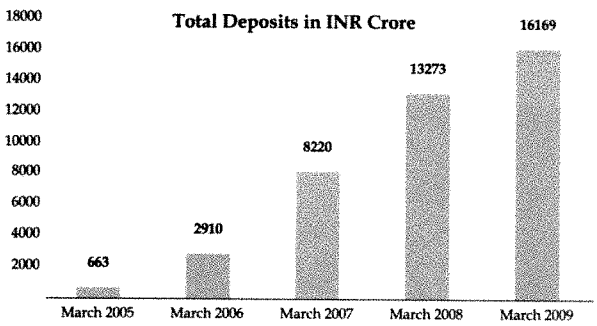
1. Excerpts from message by Mr Rana Kapoor at the 5th Annual General Meeting of YES BANK Limited held on September 3, 2009. This does not purport to be a record of the proceedings of the Annual General Meeting

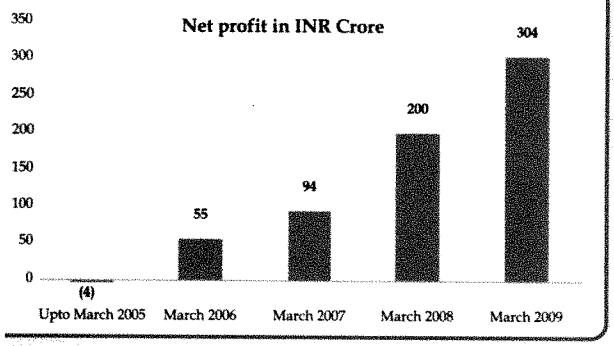
irector & CEO, at YES BANK's 5th Annual General Meeting

KEY RATIOS - FY 2009

NET INTEREST MARGIN	TOTAL CAPITAL ADEQUACY	NET NPA	ROE
2.9%	TIER I CAPITAL ADEQUACY 9.50% / TOTAL CAPITAL ADEQUACY 16.63%	GROSS NPA 0.68% / NET NPA 0.33%	ROA 1.52% / ROE 20.7%







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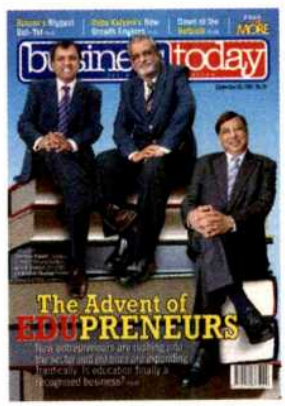
Raising the Education Bar

Hats off to the growing tribe of edupreneurs for offering quality education in India (*The Advent of Edupreneurs*, BT cover, September 20). Thanks to them we are witnessing capital-intensive, new schools, colleges and professional education institutes come up despite the travails of the licence-permit *Raj* in the education sector. **Avnish Thakur**, *Delhi*

Unshackle Learning

The nation's moribund, moth-eaten education system fashioned by Lord Macaulay over a century ago needs an urgent makeover. But Indian edupreneurs wanting to set up high-quality campuses have felt thwarted by the HRD Ministry's *Licence Raj*. Though there's consensus within India's academic community for revamping our education system, the draft Foreign Universities Bill only ensures that no decent foreign university will enter India. **Praneeta**, *Kota*



Benchmark Institutions

Given the demand for higher—especially professional—study programmes, a new genre of edupreneurs are rising to the challenge of providing internationally benchmarked institutions of higher learning. The S.P. Jain Institute of Management and Narsee Monjee Institute of Management in Mumbai; Amity University, Delhi; ISB and ICFAI, Hyderabad; Mahavir Academy of Technical Sciences and Presidency College, Bangalore and the Great Lakes Institute of Management, Chennai are among the better-known ones. **Garima Pandey**, *Patna*

Busting Jargons

I'm an avid reader of your magazine and find your *Jargonbuster* very helpful in clearing misconceptions regarding contemporary businessspeak and management terms. However, I think that including just one such term in the *Jargonbuster* series is a bit too less for attracting serious attention or for the readers to actually notice it with appreciation and look forward to it the next edition. Why not amplify this section? **Nitin Garg**, *Delhi*

Clarification

With reference to our story on the instances of US MNCs being penalised in the US for "unreported" payments made in India (*Warning for the Bribe Tribe*, BT, *August 23*), The Dow Chemical Company has clarified that it was not found "guilty" or charged with any crime under the Foreign Corrupt Practices Act.

Time-trusted Horlicks!

I agree with your views in *67% Market Share But Still Insecure* (BT, August 9) that GSK India should focus on niche categories than make a play for mass-market products. However, I wonder why GSK has left its Viva brand to languish? It could try repositioning it in the MFD segment as a nutritional supplement. But Horlicks remains GSK's mother brand and money puller and the company should not lose focus of its star brand by mindless line extensions of other products. **B. Chandrashekaran**, *Chennai*

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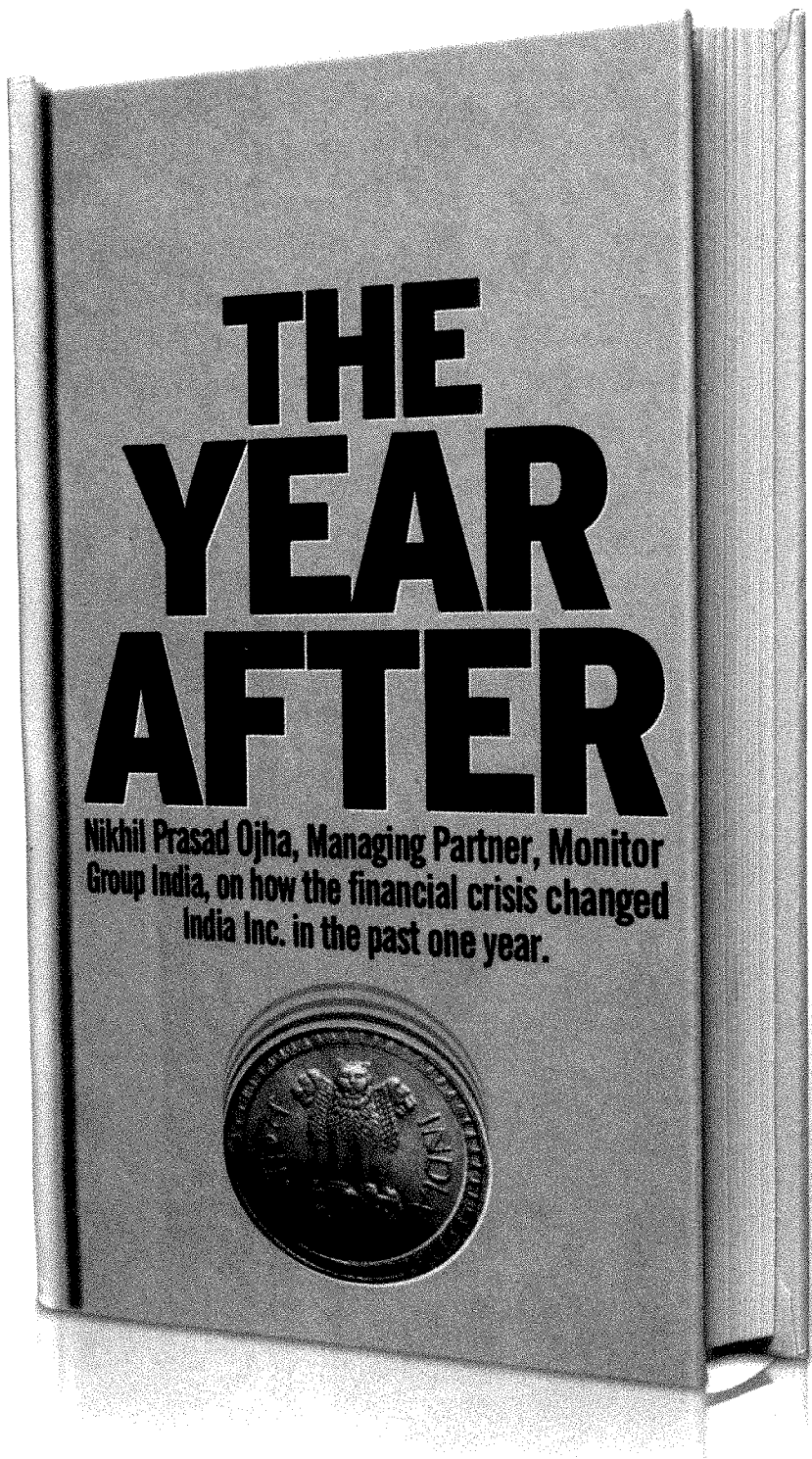


KULDEEP

The first anniversary of the collapse of Lehman Brothers provides an apt moment to assess the impact that the present financial crisis has had on India.

At the outset, despite broad popular interest in "decoupling"—the notion that our business cycle is, or is becoming, independent from that of the advanced economies—the record shows that we are increasingly and inextricably linked with the global economic system. Second, while there is never a good time for a crisis, when this one came, much of the Indian economy was, in fact, well positioned to deal with the situation. Sections of the public were already seeing more money coming into their pockets as a result of various efforts that had been kicked off earlier in the year, such as the Pay Commission awards and an increased emphasis on NREGS. The RBI—in the face of some internal dissension and much external criticism—maintained its long-held cautionary posture on the money supply and on banking regulation.

For better or worse, commentators and policymakers have begun to infer all sorts of lessons from this experience. Much of conventional wisdom

THE CRISIS REVISITED

September 15, 2008: Lehman Brothers files for bankruptcy after suffering losses of **$3.9** bn in a quarter.

Current Status: Barclays and Nomura Group have bought various businesses of Lehman.

September 21: Morgan Stanley and Goldman Sachs shed the status of an investment bank.

Current Status: Morgan Stanley continues to be in red as quarterly losses increase from **$1.02** bn in June 2008 to **$1.25** bn in 2009. Goldman Sachs profits have gone up as it earned **$3.4** bn in June quarter.

September 23: AIG gets **$85** bn bailout from Federal Reserve.

Current Status: AIG has declared its first quarterly profit since 2007.

September 26: Washington Mutual Inc. files for bankruptcy.

Current Status: The banking unit operates as a part of JPMorgan Chase.

Source: *BT* Research

now holds that the Western regulatory model is fundamentally broken. This will likely lead policymakers to adopt a highly cautious stance towards further financial sector liberalisation, and to prefer localised, gradual and bounded solutions. There will also be greater emphasis on improving coordination among various regulators of the financial sector. Now we need to ensure that the global crisis does not become a cover for continued excessive fiscal laxity—which, left unchecked, will become a significant drag on future growth.

At a microeconomic level, it is clearer than ever before that India's fundamental source of competitive advantage remains its low-cost production and service offerings. This is based primarily on labour-cost advantages, as India has not established adequate innovation capability, leading to high value-added product and service offerings, that are at scale and competitive with global leaders. For India to foster competitive clusters in the automotive, textiles and garments, alternative energy, FMCG, and other sectors, it will need to upgrade the capacity to innovate.

Undoubtedly, the most public face of the impact of the current financial crisis was seen in the labour market. Companies across sectors have used this period to rationalise their workforces and to reduce salaries and benefits. Cutbacks in white-collar jobs have featured prominently, but lakhs of jobs lost in the informal sector are largely missing from the public debate. Apparently, just as the credit rating agencies built erroneous models that assumed house prices would rise indefinitely, so had the Indian middle class built a "prosperity model" of opportunities and salary growth that failed to factor in the tremendous potential for volatility of returns to labour in true free-market employment.

And what of missed opportunities? Almost everyone that our team met in researching Monitor Group's new report, "Asia Through the Crisis"—a look at how major Asian economies have fared in the year since Lehman's collapse—expressed the view that the real stimulus package would be a reduction in the transaction costs (regulations, poor and inadequate infrastructure) faced by business. As one of our interviewees noted, quoting Chekhov (whether cynically or aptly, you decide): "Any idiot can face a crisis, it is this day-to-day living that wears you out."

> Just as the credit rating agencies built models that assumed house prices would rise indefinitely, the Indian middle class built a "prosperity model" that failed to factor in the potential for volatility of returns.

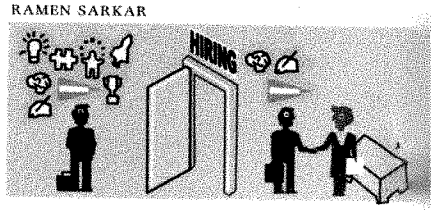
The author can be reached at:
Nikhil_Ojha@Monitor.com

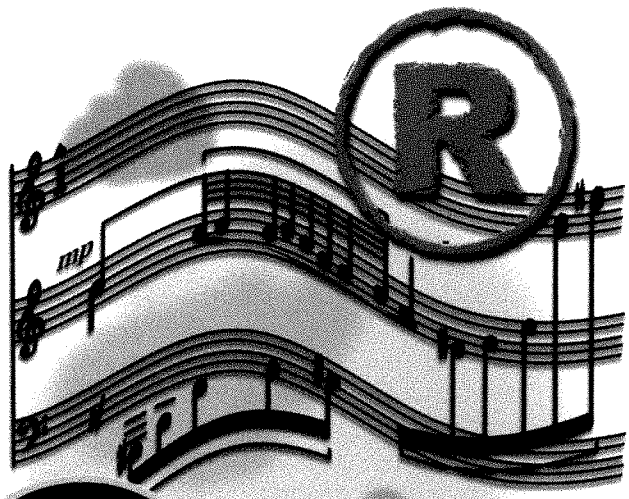
JARGONBUSTER

Satisficing

What it means: Satisficing describes decision making that takes the short cut of defining a set of aspirations and then settles on some (usually the first) alternative that meets the minimum requirements.

RAMEN SARKAR





RAMEN SARKAR/www.indiatodayimages.com

TRADE MARKS TO SOUND MARKS

Most people can easily identify familiar sounds such as the famous A.R Rahman composition that is now known as the "Airtel ring tone". Now, however, an increasing number of companies are seeking to register special sounds. The Trade Marks Registry has recently allowed registration of a sound mark in India, to Allianz AG. This comes in the wake of the Yahoo!'s yodel registration. Trademarks have traditionally been composed of words, labels, colours, marks, images. Sound marks are regarded as unconventional and the biggest challenge to their registration lies in their incapability to be graphically represented—a precondition to registration.

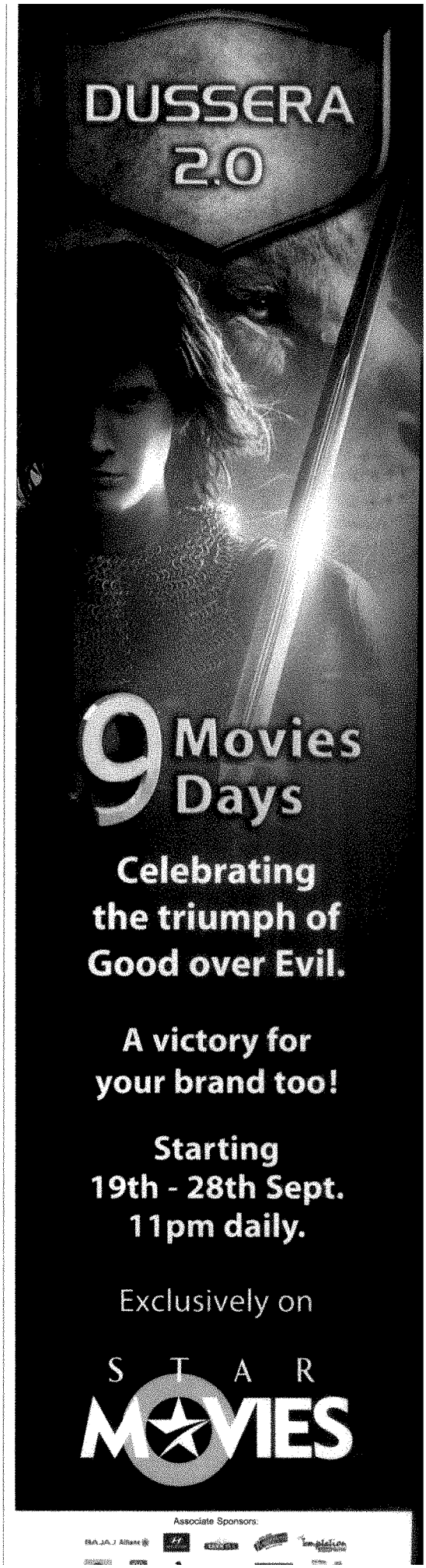
Tell-tale Sounds: There are other unconventional trademarks such as smell and olfactory marks. In fact, smell marks have already been recognised as trademarks and allowed registration in the US and the UK. "The smell of bitter ale for plights for darts" and "the smell of roses for tyres" are already registered. However, a major hurdle that such marks faced in India, is the requirement of graphical representation.

Patently Clear: The Trade Mark office in India now recognises that the graphical representation of the notes of a sound along with a description is enough to qualify for a registration. "Those who file applications for sound marks must ensure that their representation and description of the mark adequately brings to mind the particular sound and that it is inherently distinctive of the product," says Rahul Chaudhry, Partner, Lall, Lahiri and Salhotra.

SHAMNI PANDE

The origin: Nobel laureate Herbert Simon coined the term now used mostly by HR professionals when hiring staff or talking about optimising choices.

How it can be used: A firm such as Google doing a survey may ask someone "are your web searches satisficing"?



Pension Bonanza for Poor Women

Poor women in Gujarat—from ragpickers to vegetable vendors—have reasons to be less worried about starvation in old age than their peers elsewhere. Over 50,000 of them today have a retirement plan in place. Yes, you heard it right! The country's first ever micropension scheme for the unorganised sector (mainly daily wage earners) run by the Ahmedabad-based SEWA Bank, has just enrolled its 50,000th member on September 1, with a majority of them being poor women.

These women have already improved their financial condition and are investing in MFs. "It is changing their mindset. They are thinking long-term and saving for old age," says SEWA Bank Managing Director Jayshree Vyas. Back in April 2006, SEWA along with Unit Trust of India Asset Management Company (UTI-AMC) put together the scheme called "UTI Retirement Benefit Pension Fund".

Under this, SEBI-approved individual retirement accounts are opened, from where the cash is invested into debt and equity and borrowers given a passbook. The average age of account holders is around 30 years. But what about the fact that there is no assured return in this? Says Vyas: "It is designed as a good mix of debt and equity with a chance to give the poor a benefit from the upside in the stock market."

E. KUMAR SHARMA

- The SEWA-UTI scheme is a Government of India notified Pension Fund.
- The average monthly contribution from account holders is Rs 100.
- Members are mainly women who are daily wage earners.
- SEWA's goal is to reach one lakh accounts by December 2009.

INDIA GETS ADDICTED TO ALMONDS

The humble almond from California is taking India by storm. How else can one term the phenomenon of 39,462.5 metric tonnes of the famous California Almonds being imported by India in 2008-09 alone, a 19 per cent growth from the previous fiscal?

According to the latest Almond Board Position Report issued in August, India was the fourth-largest export market for California Almonds following Spain, Germany and China.

A recent study by IMRB for the Almond Board of California reveals some interesting statistics. For instance, 47 per cent of Indians who responded cited almonds as the most preferred dry fruit and 64 per cent felt it was the healthiest dry fruit as well. This is one nut that is surely doing good business!

OVERWORKED AND UNDERPAID?

A recent study by UBS, that compares the relative purchasing power in 73 cities around the world, has several interesting insights to offer.

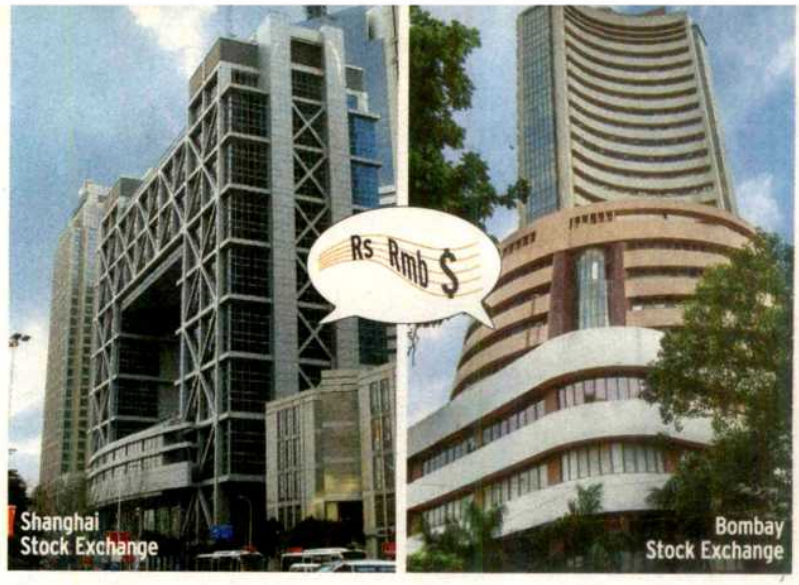
SALARY
$5
The amount of money a Mumbaikar earns for every $100 earned by a worker in New York. A Delhiite earns $6.8, making these the two poorest cities among the 73 cities surveyed.

PURCHASING POWER
20
The average person in Delhi has to work 20 days to afford an iPod Nano, while it takes only a day's wage for someone in NY to afford the gadget.

WORKLOAD
2,196
The number of hours a Mumbaikar works in a year (a Delhiite works 2,166 hours). By comparison, Parisians, who work a mere 1,594 hours, get 28 days of vacations a year (Indians get 16).

$28
COST OF LIVING
The amount spent by a person in Delhi, per $100 spent by a New Yorker towards cost of living. Oslo and Zurich are the most expensive cities.

$178
COST OF ESSENTIALS
The cost of buying 39 pre-chosen common items in Delhi. The same items cost $153 in Mumbai, $571 in NY, $633 in Geneva, and $712 in Tokyo.



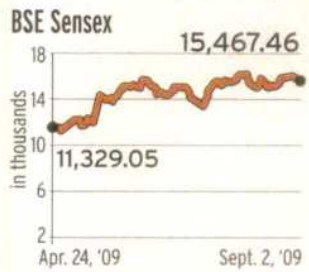
Singing the Same Tune?

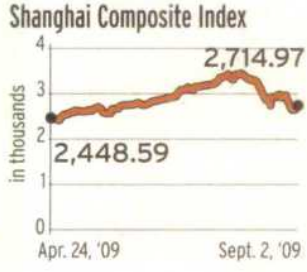
When it comes to stock markets, the Chinese influence on India has been growing consistently. A recent study shows that the intensity and direction of movement between Chinese stock exchanges, including the Shanghai Composite Index and Hang Seng Index (which tracks the performance of mainland China companies), and the Indian equities have been quite similar. Sample this: On August 17, when the Shanghai Composite Index tumbled 5.8 per cent on fears that money spent on stimulating the economy could cause a bubble in stock and property markets, the BSE Sensex fell 4.1 per cent, or 627 points. Again on August 31, the Shanghai Composite fell 6.7 per cent, dragging the Sensex down by 1.6 per cent.

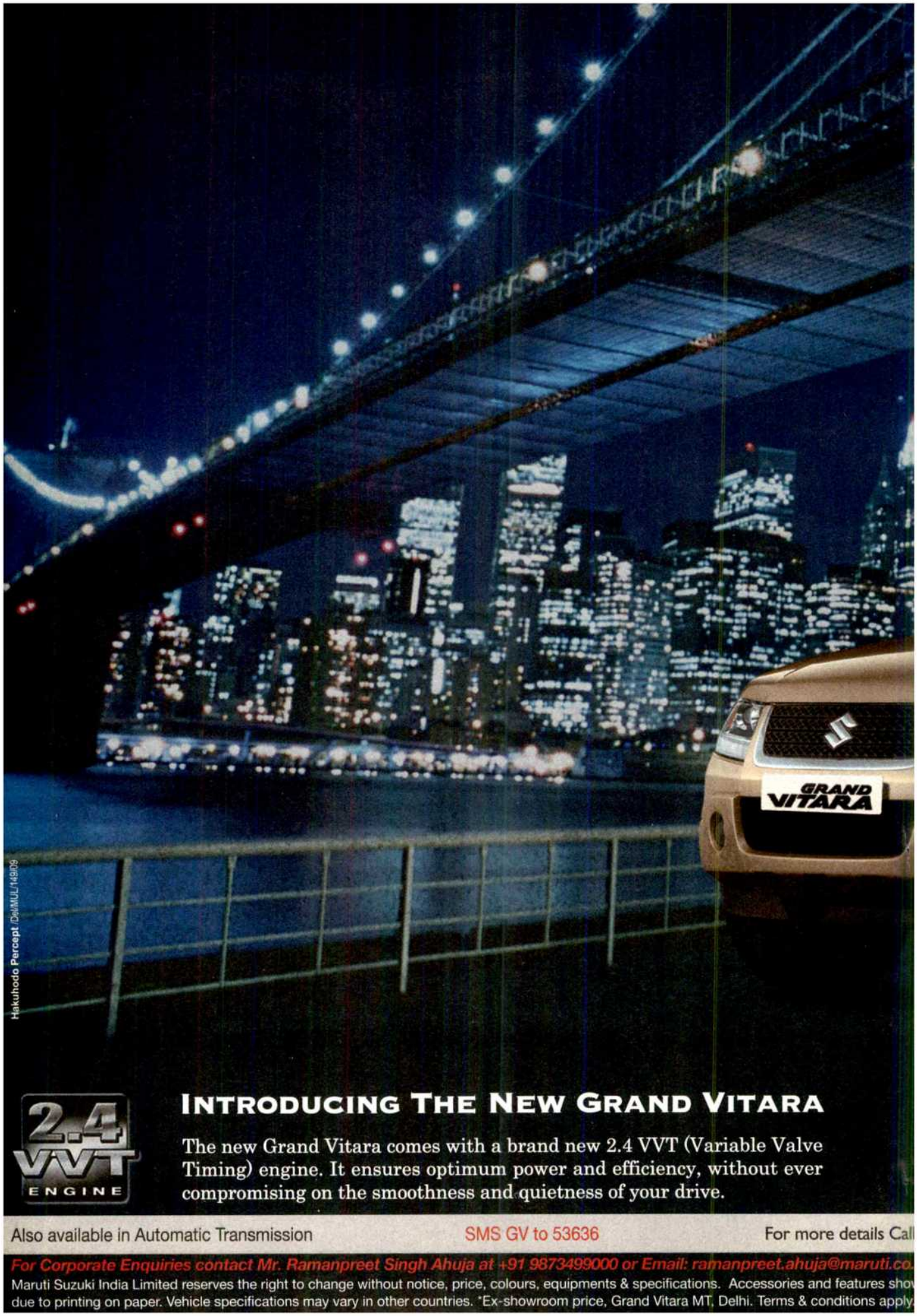
According to estimates, the correlation between the Shanghai Composite Index and BSE Sensex is 0.9 in 2009. A high correlation would indicate that the BSE 30 should rise when the Shanghai Composite Index moves up and vice-versa. What then are the key reasons behind such a strong correlation? Analysts think this is largely because fund managers across the globe talk about India and China in the same wavelength.

"On various occasions, we have seen Indian and Chinese stock markets moving up and down simultaneously. Global funds finding their way into the BRIC nations take similar calls on the key benchmark indices of all the four economies. However, within the BRIC quartet, FII money comes and goes at the same time in these two economies," says Jyoti Jaipuria, Head (Research), DSP Merrill Lynch.

MANU KAUSHIK







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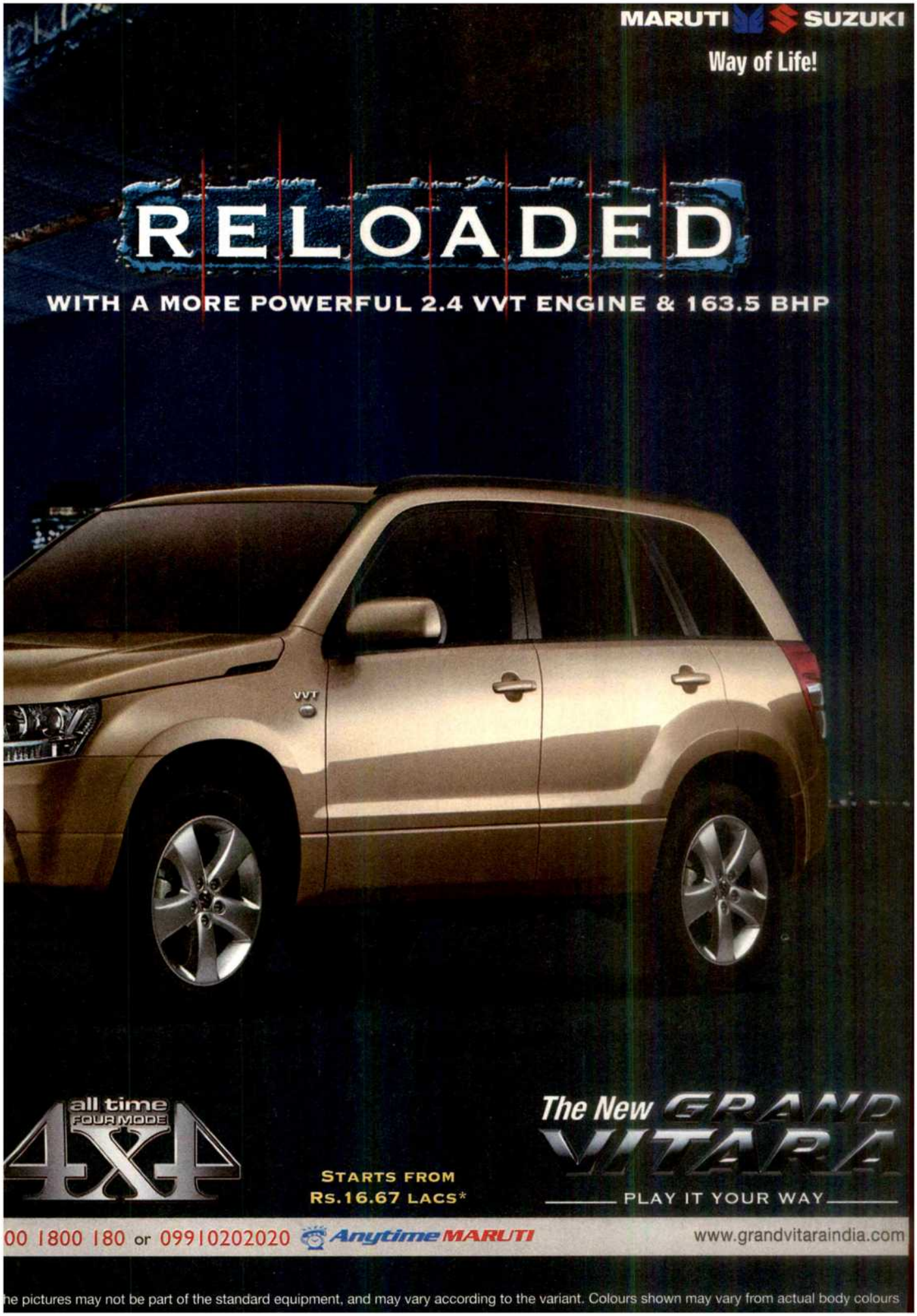
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The New Car Blitz

At least 14 new cars (or variations) are set to launch in India this festive season. Here are some of the jazziest hot wheels you can buy, says **Rahul Ghosh.**

ASHISH CHAVAN

1. Mercedes E-Class

Look wise, the new E has a sporty appeal to it. The trademark Merc grille is flanked by rectangular headlamps and the tail lamps are large wraparound units. The best bit, of course, is the new electrically-adjustable seats. Price: **Around Rs 55 lakh**

2. The Ford Small Car

Ford knows that if volumes are the goal, a small hatchback is the way to go in the Indian market. Enter the Ford small car with a 'Kinetic design philosophy'. Expect the power to come from a 1.2-litre petrol motor. Price: **Rs 3 lakh-4.85 lakh**

3. New Renault Logan

Renault comes to the party with the refreshed version of the Logan. Mechanically, little will change as it will get the same fuel-efficient 1.5 DCI diesel and the 1.4- and 1.6-litre petrol options. Changes will include a more stylish headlamp and a redone front bumper. Price: **Rs 5.12 to Rs 8 lakh**

4. Chevrolet Cruze

GM is on the verge of unleashing two new models in India. The first is the Cruze with its three-spoke steering. Engines would be a 1.8-litre petrol with 140 bhp or a 1991cc common-rail engine with 148 bhp. Price: **Rs 12 lakh-13.5 lakh**

5. Fiat Bravo

The Bravo was expected to enter India through the CBU route. However, Fiat might just make it in India at its Ranjangaon facility near Pune. This means the sporty and ravishing 1.9-litre diesel-powered Bravo could well be in competition with the likes of the i20 and the Fabia as far as pricing goes. Price: **Around Rs 8 lakh**

6. BMW Z4

This will be a great buy—a proper two-seat convertible with a folding hard top from BMW. The Z4 has a claimed top whack of 250 kmph and a 0-100 kmph dash is dealt in just 5.8 seconds. Price: **Around Rs 65 lakh**

*All prices are estimates

4 Just Launched

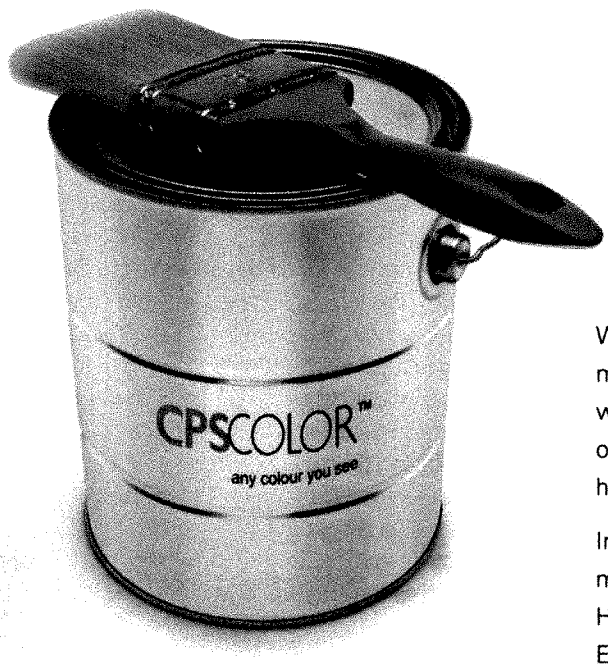
Nissan Teana
The Teana gets a makeover with a host of new features.
PRICE: **Rs 20-24 lakh**

Nissan X-Trail
The new X-Trail looks even sturdier and gets a new engine as well.
PRICE: **Rs 20-25 lakh**

Ford Endeavour
The new Endeavour has an automatic transmission with 3.0-litre diesel engine. PRICE: **18 lakh**

New Honda Civic
The Civic comes with cosmetic upgrades like headlamps, bumper, and grille.
PRICE: **Rs 11.87-14.13 lakh**

Providing all weather solutions to CPS Color



When CPS Color, a Finnish tinting systems multinational realized its high hedging costs were mainly due to the rupee's illiquidity overseas, HSBC recommended bringing the hedging process onshore to India.

Impressed by the huge cost savings this move resulted in, CPS Color now banks with HSBC in other countries in Asia, America and Europe. It's just another example of how our expertise can cause a fulfilling experience when your business truly needs it.

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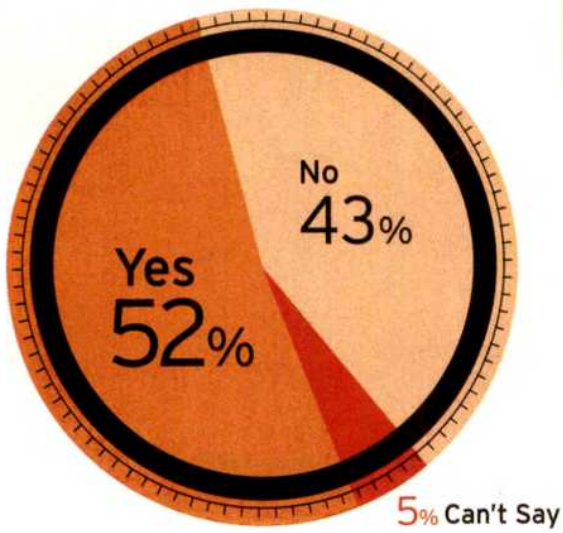
Q Do you feel more financially secure today than you did six months ago?



Results of *BT* Online poll: No. of respondents: 324

At this juncture, there are enough reasons for me to feel financially safe. Six months ago, many people feared losing their jobs, but the general environment looks better today. The economy is back on an upswing and by the middle of next year, there is a strong possibility of good pay hikes...

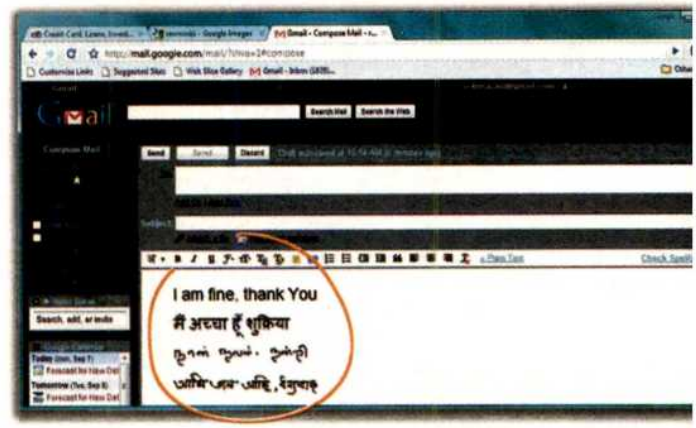
Mahesh Chauhan
Group CEO, Rediffusion Y&R

From April 2009 onwards, the financial situation has been improving gradually. Some business deals that had been delayed last year have now been cracked. Business is picking up quite well, which naturally makes us feel more secure than earlier in the year.

Amar Pandit
Director, My Financial Advisor

Should education be declared as "for profit" activity?
Log on to www.businesstoday.in to cast your vote

Compiled by Manu Kaushik



Indic to Go Truly Indian

Google's next innovation could help translate mail and documents from one Indian language to another.

Google's Indic has already made it possible for Bengalis, North Indians and Tamils to read an e-mail or a document written in English in their native script. Now engineers at Google are going a step further. Soon an user will be able to "skip" the English step and seamlessly translate between two Indic languages! That is what a team at Google's development centre in Bangalore is currently working on. "There are 100 billion pages on the Internet, of which 20-30 million are in Indic languages," says Prasad Ram, Director, India Research Labs, Google.

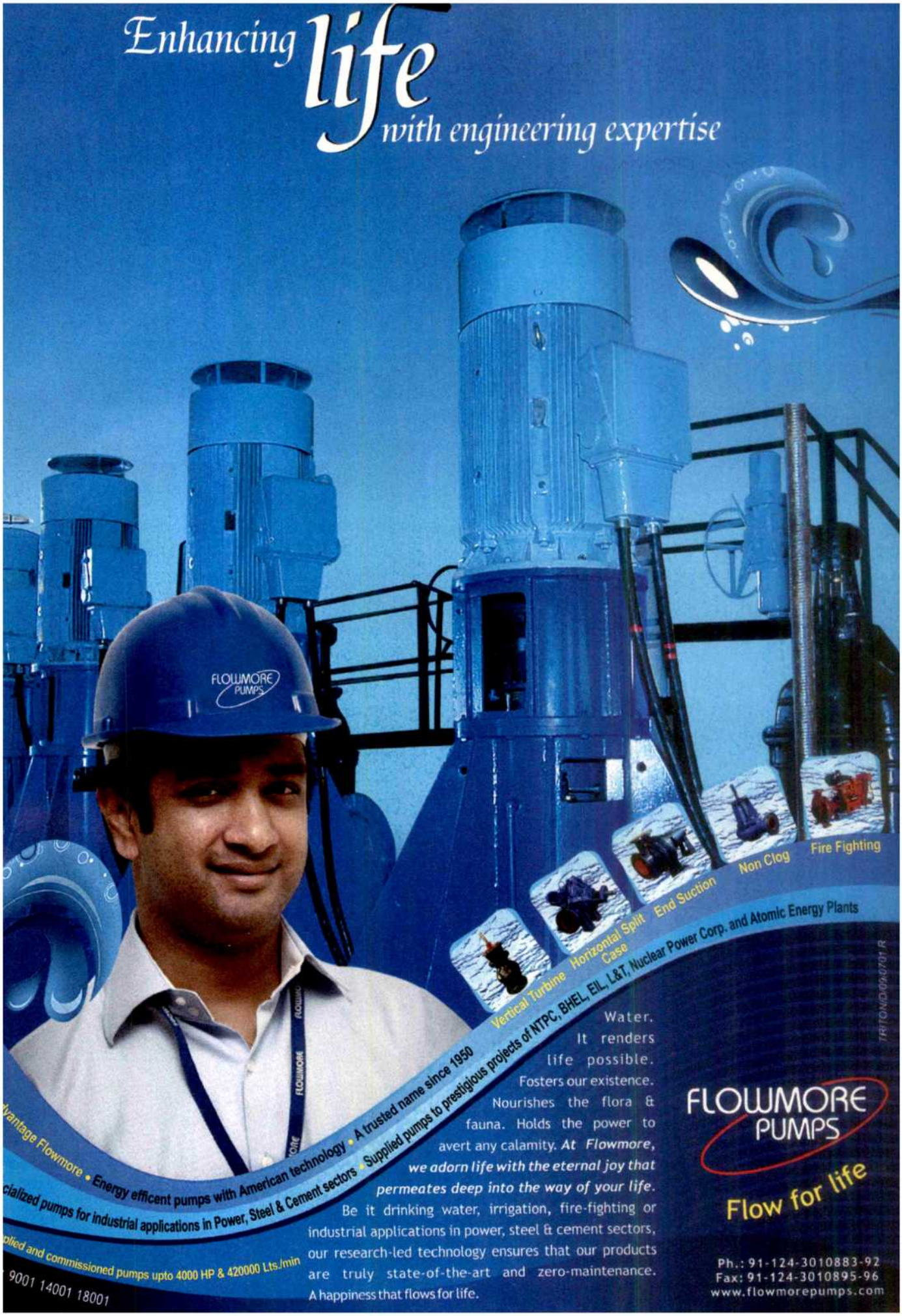
"India is unique since the Internet has developed in English rather than in local languages," adds

Suppose a Malayalee wants to read a Bangla article, he can soon download software to enable that without an in-between "English" step.

Rahul Roy Chowdhury, leader of the Indic language development team in Google. It was Roy Chowdhury's team that developed the transliteration tool allowing users to create Indic language content (in eight languages currently) using the Roman script of most computer keyboards. For instance, it can convert any of the over a billion English articles on Wikipedia into Hindi.

But the really exciting stuff is just around the corner. In a country with 23 official languages, Google's tool will allow web users to translate between two Indic languages directly. Suppose a Malayalee wants to read a Bangla article, he can soon download software to enable that without an in-between "English" step.

KUSHAN MITRA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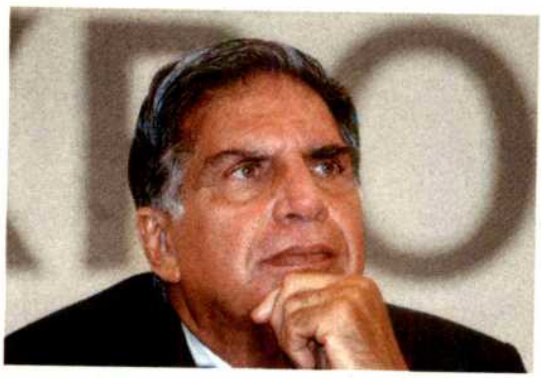
Sheryl Sandberg, *COO, Facebook, in* Forbes

"A friendly minister does not mean that he is going to favour us. If that is the perception, I would wish that there was a different minister"

P.M.S. Prasad, *Director, RIL, in* Business Standard



"West Bengal will always remain in our hearts. We don't want to sit on the Singur land and can give it back if we are compensated for the investment"

Ratan Tata, *Chairman, Tata Group, to* Reuters

"Food is not really a core business for us. That is why we sold 70 per cent stake in our rural retail business to Future Group"

Adi Godrej, *Chairman, Godrej Group, in* The Economic Times

UMESH GOSWAMI

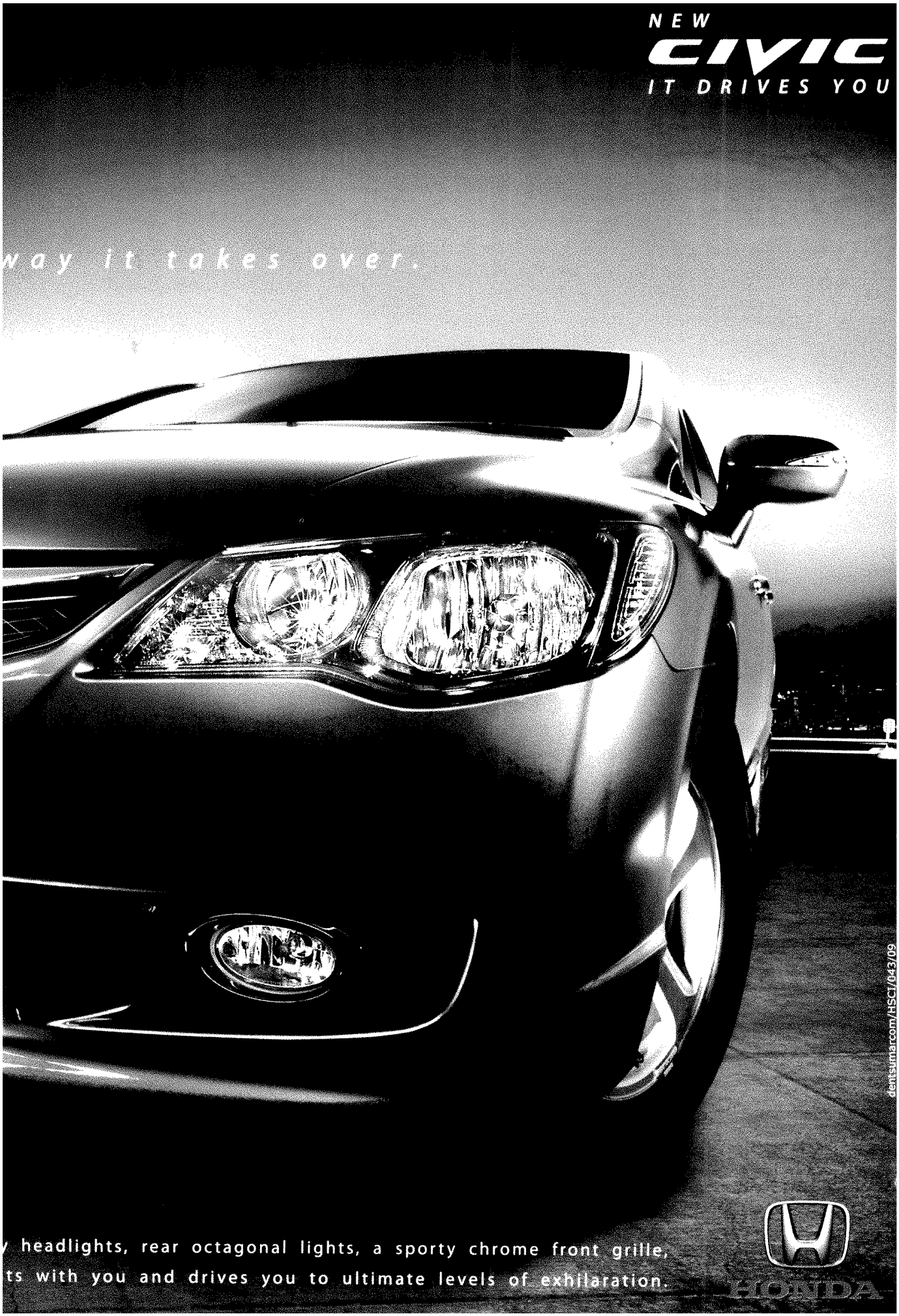
CLASSIC BUSINESS QUOTE

"Failure is simply the opportunity to begin again, this time more intelligently"

Henry Ford, *Founder, Ford Motor Company*

What drives you?

HONDA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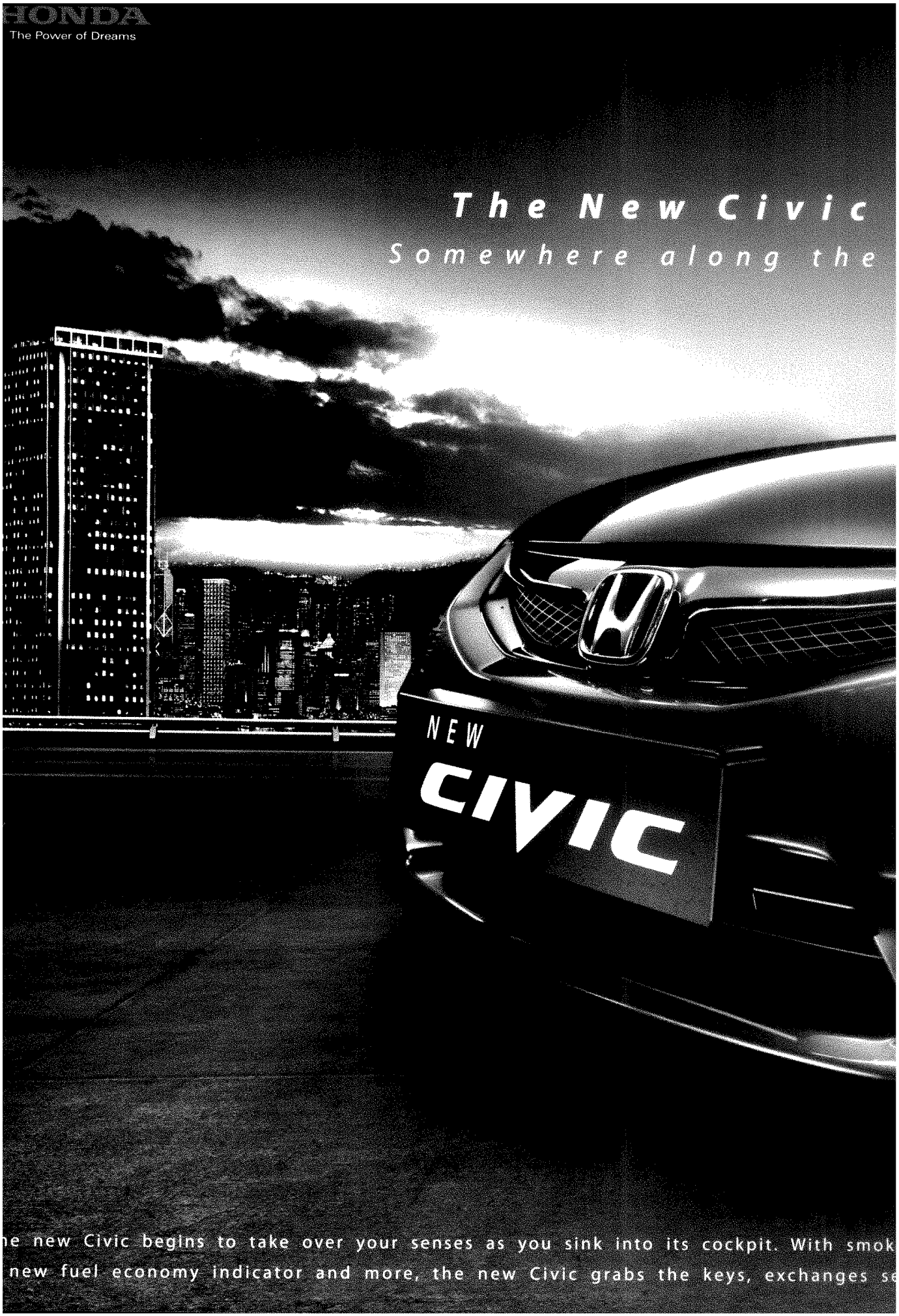
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multiplex meter

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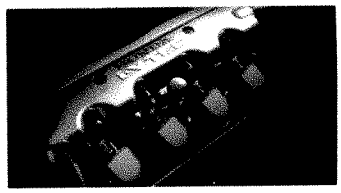

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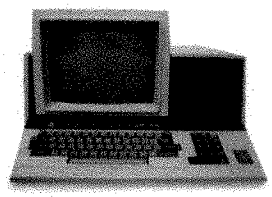
WEST: MUMBAI - Apex Honda, Sion: 42777777, Santacruz(W): 66522222; **Arya Honda**, Prabhadevi: 24228686; Ballard Estate: 67459999; Bhandup: 67747777; **Linkway Hor** Andheri(E): 66123150; Malad: 66123725; **Solitaire Honda**, Andheri(W): 61516151; Borivali: 67385555; **Hallmark Honda**, Navi Mumbai: 27675000; **AURANGABAD - Deccan Hor** 9373344301; **JALGAON - Skyline Honda**: 2213291; **KOLHAPUR - Riverside Honda**: 6634000; **NASHIK - Rushabh Honda**: 2388100; **PUNE - Deccan Honda**, Satara R 9850771223; Bund Garden: 9372233615; Pimpri: 9373344316; **GOA - Coastal Honda**, Verna: 6693333; Panjim: 6643738; **NAGPUR - Rushabh Honda**: 2295406; **AHMEDABA Emerald Honda**, Polytechnic: 40228000; Gandhigram: 9714501027; **Landmark Honda**: 9825812777/888; **ANAND - Destination Honda**: 9825320622; **GANDHIDHAM - Pior Honda**: 9879572391; **MEHSANA - Landmark Honda**: 9879299111; **RAJKOT - Landmark Honda**: 9909913694; **SURAT - Dream Honda**: 4060406, 9662526202/03; **Landm Honda**: 9825232213; **VADODARA - Aspen Honda**: 9099101000

SOUTH: CHENNAI - Capital Honda, Airport GST Road: 9940460001; **Sundaram Honda**, Mount Road: 9940411111; **Olympia Honda**, Ambattur: 044-42299600; **COIMBATOR** Sundaram Honda: 0422-2449303; **MADURAI - Sundaram Honda**: 9894679052; **VELLORE - Star Honda** - 9677791444; **SALEM - Sundaram Honda**: 0427-2352169; **TRIVANDRU Peninsular Honda**: 9895299000; **COCHIN - Cosmic Honda**, Muttom Kalamassery: 9287411111; **Peninsular Honda**, NH 47 Maradu: 9895199000; **CALICUT - Peninsular Hor** 9895399000; **KOTTAYAM -Vision Honda**: 9847734444; **MYSORE - Inspire Honda**: 0821-4009400; **BANGALORE - Dakshin Honda**, Hosur Road: 9880421212; Lavelle Road: 22969811; **Whitefield Honda**, Whitefield Road: 9845008060; Cantonment Station Road: 080-25553367-68; **Magnum Honda**, Kanakapura Road: 080-26322271-74; Mekri Ci Showroom: 080-43534444; **HUBLI - Lakeview Honda**: 0836-2278837; **MANGALORE - Peninsular Honda**: 9243309999; **HYDERABAD/SECUNDERABAD - Pride Hor** 9951607006; **Sundaram Honda**: 9849168323; **VIJAYWADA - Sundaram Honda**: 9849725556; **VIZAG - Sundaram Honda**: 9849120325.

A CHRONOLOGY OF

How the Web Spread Worldwide

On September 2, 1969, even as the world was celebrating man's footprints on the moon, another "giant leap for mankind" was taking shape in a small lab inside the University of California–the Internet was being born.



1969: Two computers at University of California, Los Angeles, exchange data in the first test of Internet. The first connection between two sites–UCLA and the Stanford Research Institute in California–takes place on October 29. The network crashes after the first two letters of the word "logon".

1972: Ray Tomlinson brings e-mail to the network, choosing "at" symbol as way to specify e-mail addresses belonging to other systems.

1983: Domain name system is proposed. Creation of suffixes such as ".com," ".gov" and ".edu" comes a year later.

1988: One of the first Internet worms, Morris, cripples thousands of computers.

www.

1990: **Tim Berners-Lee** creates the World Wide Web while developing ways to control computers at CERN, the European Organisation for Nuclear Research.

1994: Marc Andreessen and colleagues at University of Illinois develop the first commercial Web browser, Netscape, piquing the interest of Microsoft Corp.

1998: Google Inc. is born out of a project that began in Stanford dorm rooms.
- Microsoft is sued for abusing its market power to thwart competition.

1999: Napster popularises music file-sharing and spawns successors that have permanently changed the recording industry.
- World Internet population surpasses 250 million.

2000:
The dot-com boom of the 1990s becomes a bust.
- Amazon.com, eBay and other sites crippled in first widespread use of the denial-of-service attack.

2009:
World Internet users surpass **1.5 billion.**
China's Internet population reaches **250 million.**

2013:
India will be world's third-largest online population (around 90 mn) and China will be higher over 350 mn.

Compiled by Vijayalakshmi Vardan

BT HISTORY

"Air India Has to Grow, or It Will Die"

Business Today, **June 7, 2000**

As one of its longest serving CEOs, Michael Mascarenhas has flown Air India on a wing and a prayer. In an interview to Sunit Arora, *a bitter but hopeful,* Mascarenhas *spoke his mind.*

Are you happy with the government's disinvestment plan?
It's not a question of being happy or unhappy. The airline has to grow to survive, otherwise it will wither away and die. If the funds are not available from the government, we have to tap some other source.

Did you ask the government for funds?
Yes, but their answer was a No. Then we asked if we could get enough money to pay the interest on our working capital. Their answer was a No, again. We don't have the funds for upgradation.

POSTSCRIPT: *Some things just don't change with time. Nine years after this interview, Air India continues to languish due to lack of money and poor condition of aircraft, with the flying machines developing major snags, catching fire and being grounded with frightening frequency. Will matters change in the next two years either? It's anybody's guess.*

NUMBERS OF NOTE

50%

The likely-increase in demand for diamond jewellery (Rs 29,300 crore) in India in 2010-11, compared to the current Rs 20,200-crore sales. The domestic jewellery market is pegged at Rs 76,800 crore, which includes gold, diamond, platinum and others.

6,800 tonnes

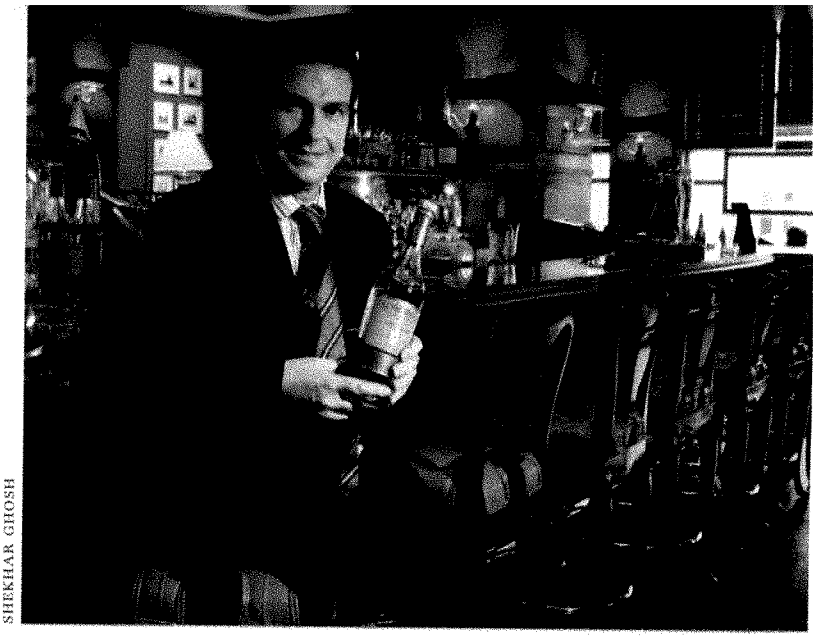
The amount of municipal solid waste produced by Delhi per day, while Mumbai generates **6,500 tonnes.** These cities mostly dump the wastes in landfill sites, according to a survey carried out by FICCI in 22 cities.

Rs 22 cr

The amount of compensation paid to Britannia Industries by Danone Group for IPR infringement of the "Tiger" brand.

2.5 mn

The number of "affluent" households in India, according to a survey by AC Nielsen. Out of this, **2.2 million** belong to the upper middle class segment. The rich has **0.2 million** and the super-rich **0.1 million** households.



SHEKHAR GHOSH

"The Malt Whisky Market Has Huge Potential"

Glenmorangie, one of the oldest malt whisky brands in the world, now owned by Louis Vuitton Moët Hennessy, is yet to crack the Indian market despite India consuming 92 million cases of whisky annually. Its Global Business Development Director **DAVID RIDLEY** *talks to* **DHIMAN CHATTOPADHYAY** *about the problems and business plans. Excerpts:*

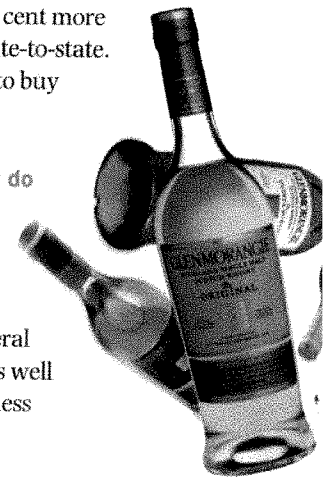
Indians consume more whisky than most other nations. Yet the malt whisky market is negligible. Why is this?

Globally, too, malt whisky has only an 8 per cent market share, with 92 per cent preferring blended whisky. Malt whisky targets only the high-end consumer who craves exclusivity. After LVMH bought Glenmorangie, we have been steadily increasing our presence in India.

However, the country is yet to wake up to malt whisky. While 92 million cases of whisky were sold in India in 2008, a mere 35,000 cases of this was malt. The bright side of this is that it means there is huge potential for growth.

What is the major hurdle for growth?

The taxation system on spirits is a major cause for concern at present. Foreign spirits are taxed between 200 and 500 per cent more than domestic counterparts here, differing from state-to-state. This is acting as a deterrent for buyers, who prefer to buy single malt abroad where it's far cheaper.

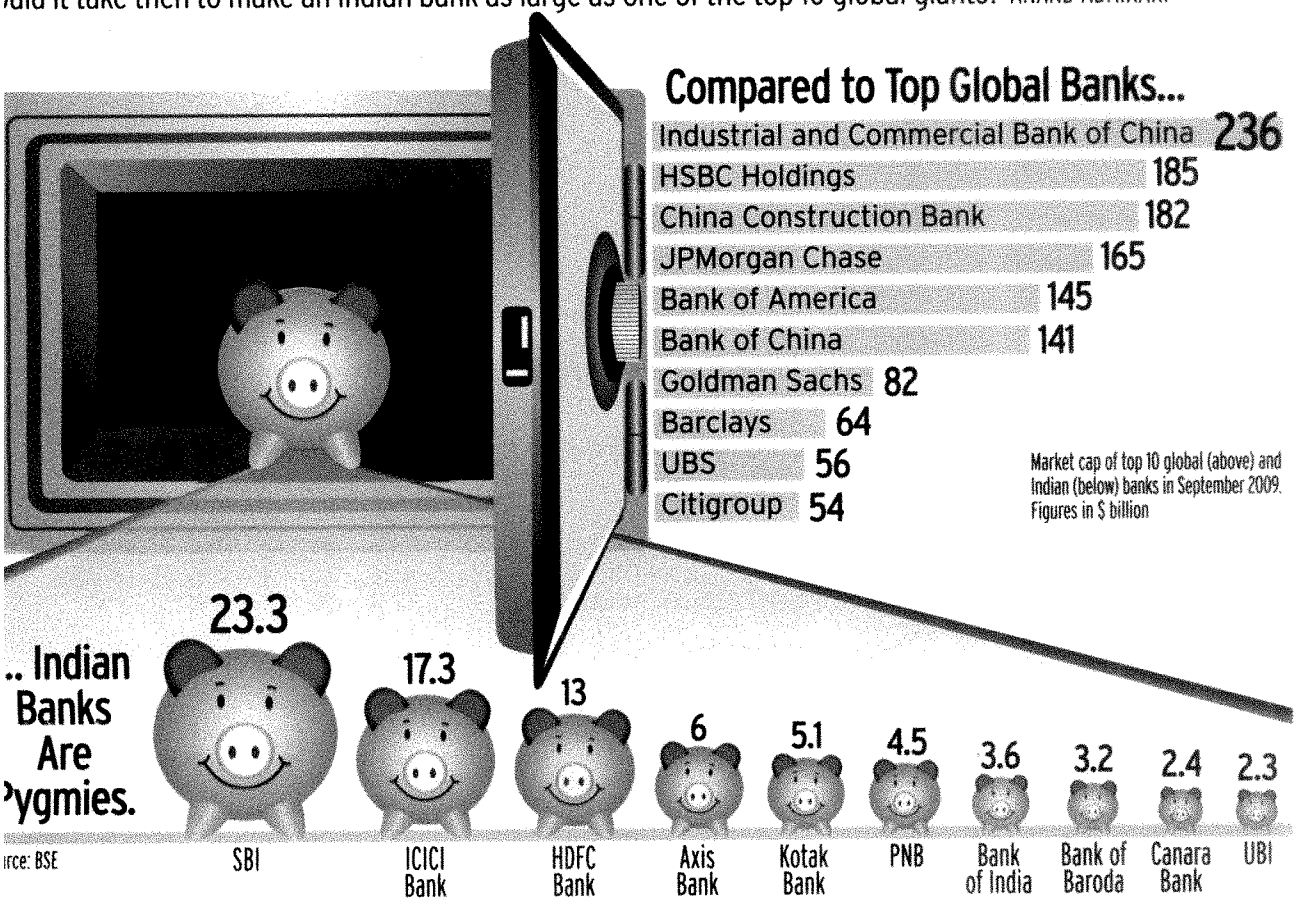


What sort of growth are you looking at and how do you propose to achieve this?

We hope to see India reach this take-off stage by 2012. The company is not interested in ad blitzkriegs since the target audience is rather niche. Instead, the business plan is simple: to conduct several rounds of tasting sessions with both trade experts as well as connoisseurs across key metros to create awareness and spread the word about Glenmorangie.

ndian Global Bank?

ıen SBI Chairman O.P. Bhatt recently said the country's banking system needs consolidation to produce ıger players, it got us thinking. SBI, India's biggest bank, ranks a lowly 64th among global banks. What ıuld it take then to make an Indian bank as large as one of the top 10 global giants? ANAND ADHIKARI



CENARIO 1: Merger of All Indian Banks

Not a practical possibility, but if it did happen, then the **50+** listed Indian banks would have a combined market cap of **$100** billion, making it the **7**th largest global bank.

SCENARIO 2: SBI Taking Over the Top Two Private Sector Banks

+ + = **$54** billion

A highly unlikely merger of ICICI and HDFC with SBI will make the new bank the same size as Citigroup Inc., the 10th largest global bank at present.

SCENARIO 3: Consolidation Amongst the Public Sector Banks

Even if the top **6** nationalised banks merged, the combined market cap would not exceed **$40** billion and would, therefore, not find a place in the top **10** list.

KULDEEP

BT-ERNST & YOUNG

DEAL WATCH

Biggest deals in the past 30 days*

The top deal in August saw Tata Chemicals acquire a 35.7 per cent stake in Rallis India for Rs 363.4 crore, to become the single-largest promoter shareholder with 45.1 per cent ownership. The deal is a step towards the integration of the Tata Group's chemical businesses. Tata Chemicals is strong in the North and East India and Rallis has a strong network in West and South India.

TARGET	ACQUIRER/INDUSTRY	TYPE	DEAL VALUE (Rs crore)	STAKE (%)
Rallis India	**Tata Chemicals**/Chemicals	Investment	363.4	35.7
Ansal Properties & Infrastructure	**IPRO Funds**/Real Estate	Investment	203	9.9
Dhariwal Infrastructure	**CESC**/Infrastructure	Acquisition	200	50
Lodha Group's 115-acre housing and office complex project in Mumbai	**Fund formed by former Old Lane Fund Partners**/Real Estate	Private Equity	122	26
Continental Warehousing Nhava Sheva	**Aureos India Fund & ePlanet Venture**/Infrastructure	Private Equity	78.9	N.A.
Blueally Division	**Trianz Holdings**/Technology	Acquisition	73.2	100
Asmitha Microfin	**BlueOrchard Private Equity Fund**/Financial Services	Private Equity	50	N.A.
Garden Namkeens	**Cavinkare**/Retail & Consumer Products	Acquisition	48.7	100
eClerx Services	**Sequoia Capital India**/Professional Services	Private Equity	43	6.8
National Commodity and Derivatives Exchange	**Shree Renuka Sugars**/Capital Markets	Investment	36.4	5

Ernst & Young is a leading M&A advisor in India. While every care has been taken to compile this data, it is based on media reports, company announcements and other secondary research. Any decision on the basis of the above mentioned information should be taken only after professional advice. Business Today *or Ernst & Young do not undertake any responsibility in regard to any such decision Includes only M&A, private equity and brand sale transactions *As on September 3, 2009 Not a complete list*

"Ring Tones Paved the Way for Digital Music"

India's first Nokia Music Connects conference was held in Mumbai recently. **ELIZABETH SCHIMEL,** *Global Head (Music, Entertainment and Communities), Nokia, spoke to* **BT'S ANAMIKA BUTALIA** *about Nokia's contribution to the evolution of digital music. Excerpts:*

What has Nokia's role been in the digital music industry?

Digital music came into the picture in the '90s. Nokia's creation, the ring tone, pioneered the concept of digital music on mobile phones. Nokia rolled out its first music-enabled phone in 1997 and now we decided to bring Nokia Music to our Indian users.

What is on offer for the Indian market?

Nokia has enhanced its music collection for its 425 million music-enabled mobile users around the world. Our recently-updated catalogue of 3 million tracks for India covers 20 genres in international music and local content, i.e., songs in regional Indian languages, which makes up 90 per cent of the catalogue. Our online Voucher Store gives each "new" music-enabled mobile user a gift voucher.

What next?

Teaming up with the digital music industry and even films in India will be our strategy. We have already taken steps in this direction by partnering with Indian Music Industry (IMI) and T-series.

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THANKS, BUT NO THANKS

The country's largest private sector company, RIL, moves heaven and earth to sell KG basin gas to the country's largest power producer, but in vain.

K.R. BALASUBRAMANYAM

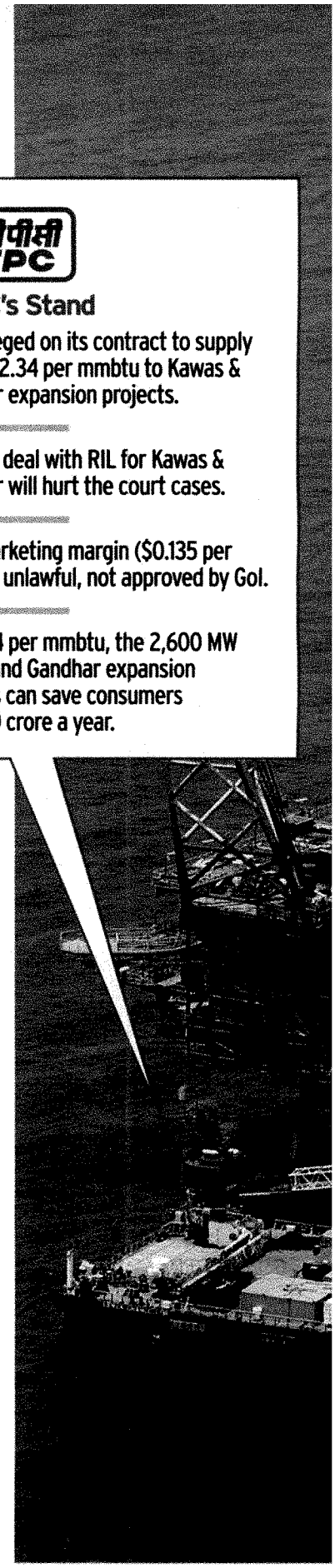
NTPC's Stand

RIL reneged on its contract to supply gas at $2.34 per mmbtu to Kawas & Gandhar expansion projects.

Any gas deal with RIL for Kawas & Gandhar will hurt the court cases.

RIL's marketing margin ($0.135 per mmbtu) unlawful, not approved by GoI.

At $2.34 per mmbtu, the 2,600 MW Kawas and Gandhar expansion projects can save consumers Rs 2,130 crore a year.

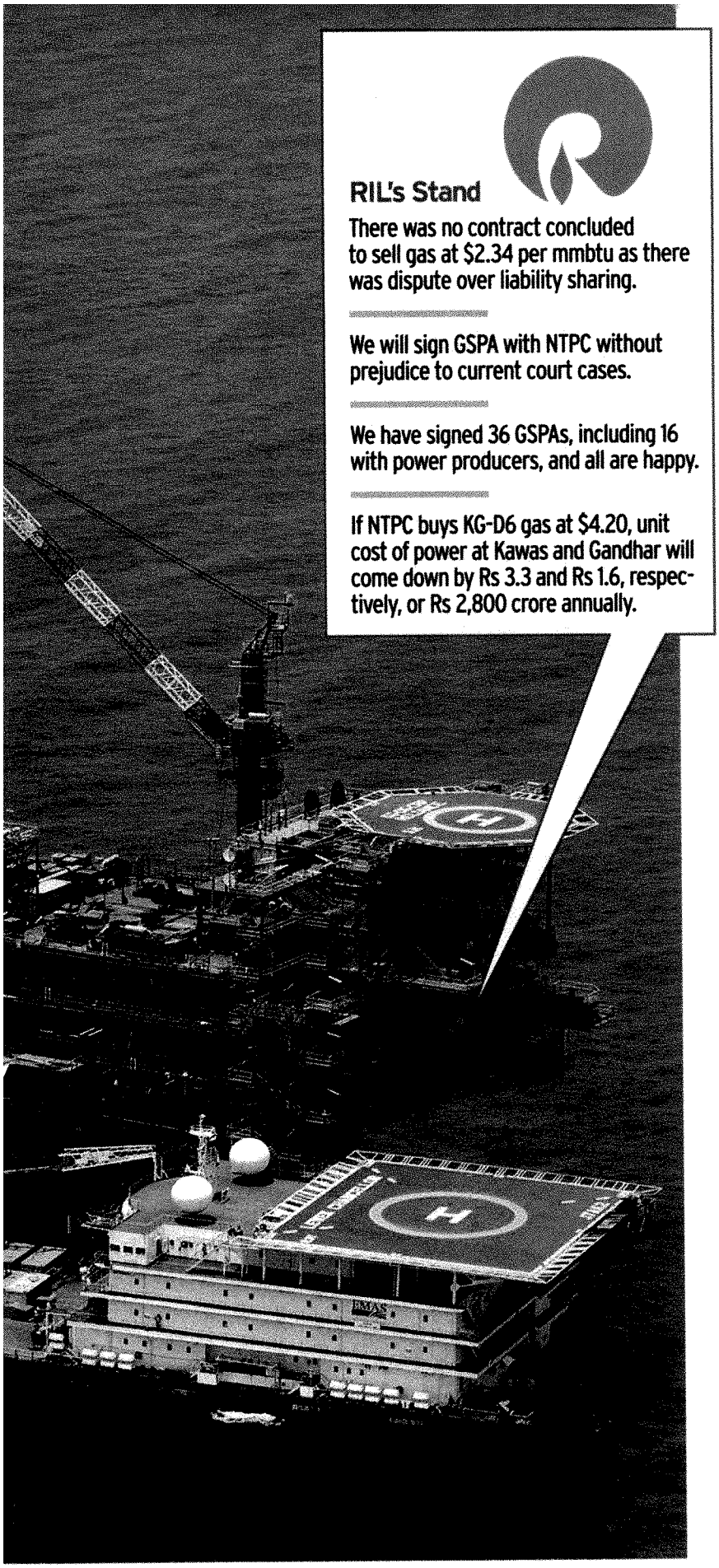


All's fair in love and war. That seems to be the motto on both sides in the stand-off between public sector power giant NTPC Ltd and Mukesh Ambani-led Reliance Industries Ltd. (RIL) over the supply of natural gas from RIL's Krishna Godavari basin's D6 block.

Consider this: In 2008-09, NTPC sold power from its gas-based Kawas and Gandhar plants in Gujarat at Rs 6.34 and Rs 4.64 per unit, respectively. Compared to NTPC's average selling price of Rs 2.12 a unit last year, this was quite high. The two plants, with a combined capacity of 1,300 MW, had to buy gas from spot markets at steep rates. Since April, however, cheaper natural gas has started flowing from the KG basin and this can reduce NTPC's cost of power. But apparently that's not an important consideration for NTPC, which has decided not to touch RIL gas even if it means buying costlier gas for its Gujarat plants.

Indeed, Kawas and Gandhar are the reason why NTPC is averse to buying the KG basin gas. The public sector behemoth, which accounts for one-fifth of the country's installed capacity with its 30,644 MW, is miffed with RIL for allegedly reneging on its commitment to supply KG basin gas at $2.34 per million metric British thermal units (MMBTU) for the 2,600-MW Kawas and Gandhar expansion projects. The dispute is pending before the Bombay High Court after NTPC filed a suit in December 2005. (The same court has ruled in favour of Anil Ambani's Reliance Natural Resources in a similar dispute, which is under appeal in the Supreme Court).

But RIL is not willing to leave matters at that and is trying everything from persuasion to complaints and campaigns to get the PSU to fall in line. Says P.M.S. Prasad, RIL's Executive Director: "If NTPC buys gas from KG-D6 for Kawas and Gandhar (at the government approved price of $4.20), it will result in reduction in cost of power by Rs 3.3 per unit and



Rs 1.6 per unit, respectively, or Rs 2,800 crore annually. This will directly benefit the state electricity boards (SEBs) and consumers."

In April this year, the government allocated to NTPC 2.67 million metric standard cubic metre per day (MMSCMD) of KG basin gas—2.06 MMSCMD for the Gujarat plants and 0.61 MMSCMD for Dadri, Faridabad and Anta plants in the National Capital Region. The PSU, in its September 4 note to stock exchanges said it "is committed to drawing the allocated gas for its plants in the national capital region". But there has been no progress after that. RIL is waiting for the PSU to close the deal.

According to Prasad, NTPC will incur an additional cost of Rs 1,500 crore a year if it buys re-gasified LNG from outside to fire its plants in Gujarat.

However, in a note to stock exchanges on September 10, NTPC maintained that there is no question of considering the KG gas for the Gujarat plants as it might prejudice the case now in court. "If RIL is so much concerned about consumers, let them sell gas at $2.34 per MMBTU and we will buy right away," a senior NTPC official told *BT*.

RIL states that the legal dispute concerns only the expansion projects of Kawas and Gandhar, and not their existing plants, and so NTPC should not have any qualms over lifting the allocated gas, especially since it (RIL) has agreed to include a caveat in gas sales and purchase agreements (GSPAS) that they are "without prejudice" to the court case.

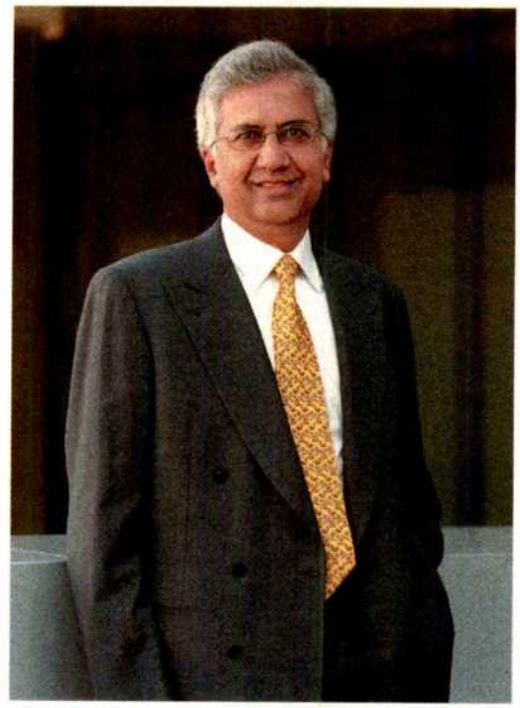
But NTPC says it won't sign the agreements till RIL withdraws the marketing margin of $0.135 per MMBTU that it is collecting over and above the gas price of $4.20 per MMBTU. "We are not convinced about their marketing margin. Who allowed them to collect it?" asked the NTPC official. In fact, NTPC Chairman R.S. Sharma has written to the Power Secretary over the margin and called for government intervention. The power ministry has

lobbed the issue into the Ministry of Petroleum & Natural Gas.

RIL, too, is writing letters to government departments and agencies in its bid to bring into the public realm NTPC's fuel purchase approach and step up pressure so that a deal is signed. On September 4, the company wrote to the Gujarat government explaining how the state would benefit from the supply of KG-D6 gas to the NTPC plants. RIL has also written to Haryana, Uttar Pradesh, Punjab, Delhi, Madhya Pradesh and Rajasthan accusing NTPC of preferring expensive gas over the cheaper KG basin gas.

In one of its letters to the power ministry, RIL states: "NTPC's actions... appear to be driven by factors other than commercial prudence. This has led to NTPC losing out...resulting in higher costs to SEBs and the consumers." The letter also accuses NTPC of buying spot gas for as high as $22 per MMBTU, while Panna, Mukta and Tapti (PMT) JV—comprising RIL, ONGC and Gujarat Gas—sold the gas to others at $4.8 per MMBTU for three years after the bidding process in 2005 which NTPC stayed away from. While NTPC's Sharma declined to take questions from *BT*, the PSU's latest note to exchanges dismisses this allegation saying: "NTPC has already been procuring spot regasified LNG (RLNG) at competitive rates from market through tenders and without any take or pay liability."

The KG-D6 gas field is currently producing 37 MMSCMD of gas but is capable of increasing its production to 80 MMSCMD. RIL is currently supplying about 18 MMSCMD to the power sector, and another 30 MMSCMD of gas, if produced, would help add 7,000 MW. Prasad estimates that NTPC requires 17 MMSCMD of gas to run its stations at 90 per cent plant load factor (PLS), but is getting only about 7 MMSCMD. "We have the capacity to meet NTPC's requirements subject to the government allocating gas to NTPC and NTPC signing GSPA with RIL," he says. In fact, NTPC's proposed expansions have ground to a halt for want of gas. This includes the proposed capacity additions of 1,300 MW each at Kawas and Gandhar as well as at its Kayamkulam plant in Kerala where it plans to add 1,950 MW.



"We have the capacity to meet NTPC's gas needs subject to the government allocating gas to NTPC and NTPC signing the GDSPA"

P.M.S. Prasad/ Executive Director/ RIL

A section of senior power sector analysts *BT* spoke to attribute NTPC's actions to the court case as also the deep sense of hurt it has suffered at the hands of RIL post the bidding process in 2005. But former power secretary R.V. Shahi says: "Since the KG basin gas has started flowing, there is good reason that the power sector should use it as much as possible. In that respect it will be advisable that NTPC should avail of KG basin gas for all its plants and also for future projects." As for Kawas and Gandhar, Shahi, who now heads power consultancy firm Energy Infratech, however, adds a caveat: "If legal advice is not to use KG basin gas for these plants, then it is for NTPC to decide."

V. Raghuraman, former Principal Advisor, Energy, CII, who now advises a clutch of global energy firms, says: "It is logical to expect that the locally available gas at lower prices is favoured over the costly RLNG, and the decision of NTPC seems to be contrary to this. But then, there must be a reason for NTPC's actions." He regrets that a scarce national asset such as natural gas is allowed to go unutilised when the country is reeling under a power shortage and the swing in the cost of power traded through the exchanges is as extreme as 13 paise to Rs 15 a unit.

Raghuraman suggests that the country prepare a road map to move away from the current allocation approach to market-based pricing approach. His thoughts were echoed in a recent lecture by Finance Commission Chairman Vijay Kelkar, who believes the present gas pricing policy framework is non-transparent and causing price variation across the nation. According to him, it's not helping rapid development of the natural gas sector, either.

"Given right incentives for producers, it is possible to foresee India to achieve over a decade or so gas output level of more than 500 MMSCMD from the current supply level of 120 MMSCMD," he said.

But till that happens and until the country moves to a market-based pricing of gas, stand-offs like the current one would continue to be scripted in the power sector. ⊙

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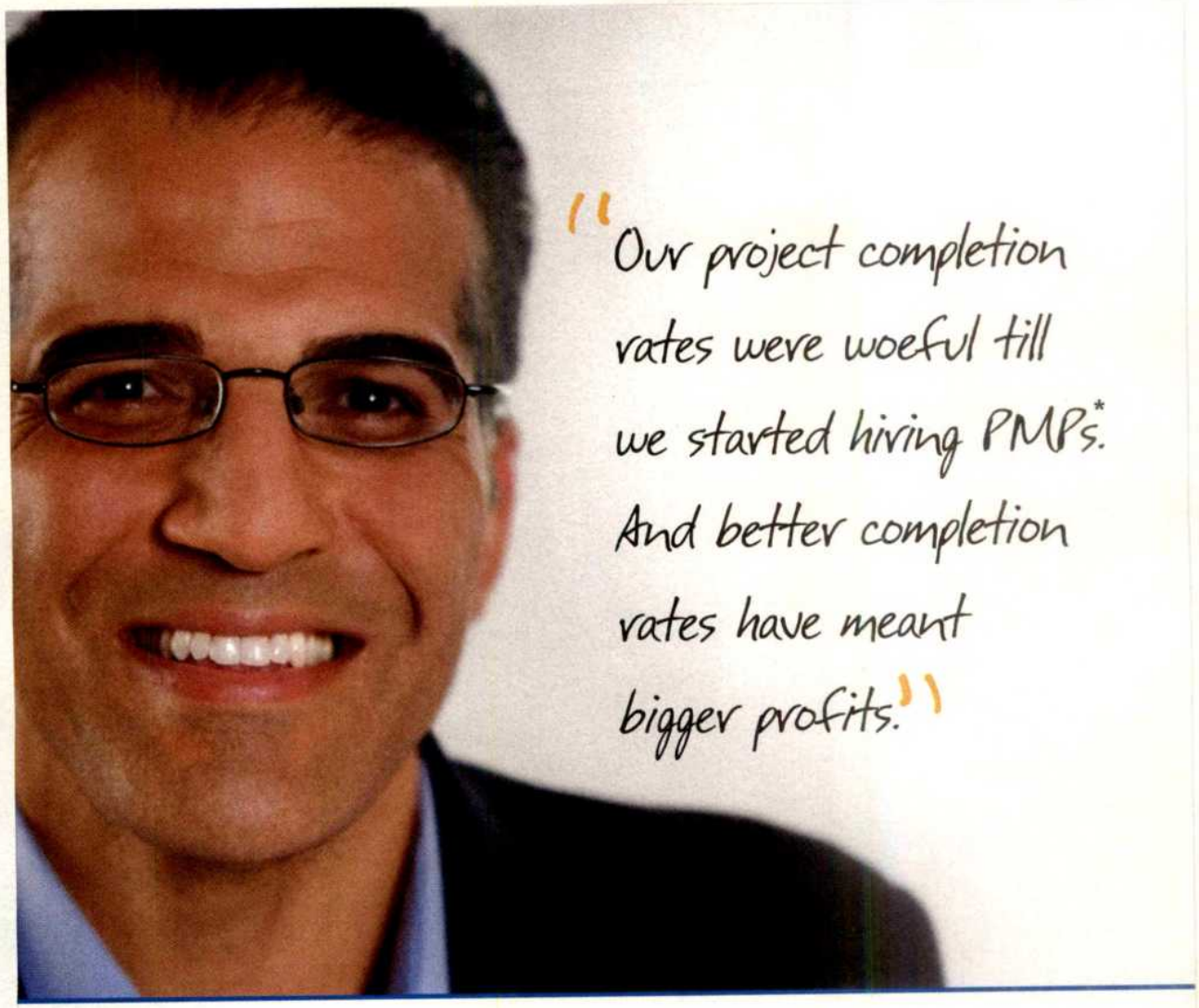

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The Hidden Lea

They are not yesterday's start-ups.
They are not in the Top 10 listing by size.
Taste the thunder of India Inc's entrepreneurial middle rung.

One of them has actually succeeded in turning the tide of paper cheques that threatened to overwhelm clearing houses. He operates in cyberspace. Another prefers the physical product—the company she set up makes 2.5 lakh buns a day. Yes, you read that right. A third has created a service that will give you the contact details of the first two firms for free, if you were to call up a number.

They are India Inc's new middle-class—not consumers but those finding new and innovative ways to cater to consumer demands. They are entrepreneurs who combine the energy of a start-up with the confidence of a big businessman.

They are the hidden leaders. Each one of them has either scale, or a unique business model, or a unique competitive advantage (or all of these). They are Gen Next, next not in the sense of the third generation of a venerable business family, but that they do things differently, inventing a new sector (iYogi and online tech support for individual PC users) or giving an existing one a new twist (Patu Keswani's Lemon Tree hotels, which attract five-star clients with four-star prices). And, as Prof S. Manikutty of

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the IIM Ahmedabad observes, not only did they succeed in creating a niche for themselves, but some actually succeeded in driving out the vintage families from their businesses.

Business Today went out to round up a sample, looking for two things: the company should be bigger and with a lower risk profile than a start-up, and it should not be a mature business with a stately growth rate.

We looked for people who had made it on their own, without fear or favour. B-School stamps did not matter (as the Cremica story will show). Nor did we go looking for just sexy products (roads are not sexy, but putting up a toll gate is, as IRB Infrastructure realised).

As Technopak Advisors Chairman Arvind Singhal points out, this new "middle class" of entrepreneurs is in many ways, more "genuine" than their counterparts of yore since most of them are starting out in a field that is much more level than ever.

Out of the handful of 25 names gathered, BT chose to profile 10. Obviously there are many more: this is just a platter.

And this is not all that is about Gen Next. In future issues, BT also plans to profile the Gen Next as most people understand the term—the successful inheritors of established groups. Then may be a Gen Next listing of entrepreneurs who set foot in the global markets from the day one. But for now, turn over to India Inc's emerging middle-class. ⊙

ARSHIYA INTERNATIONAL

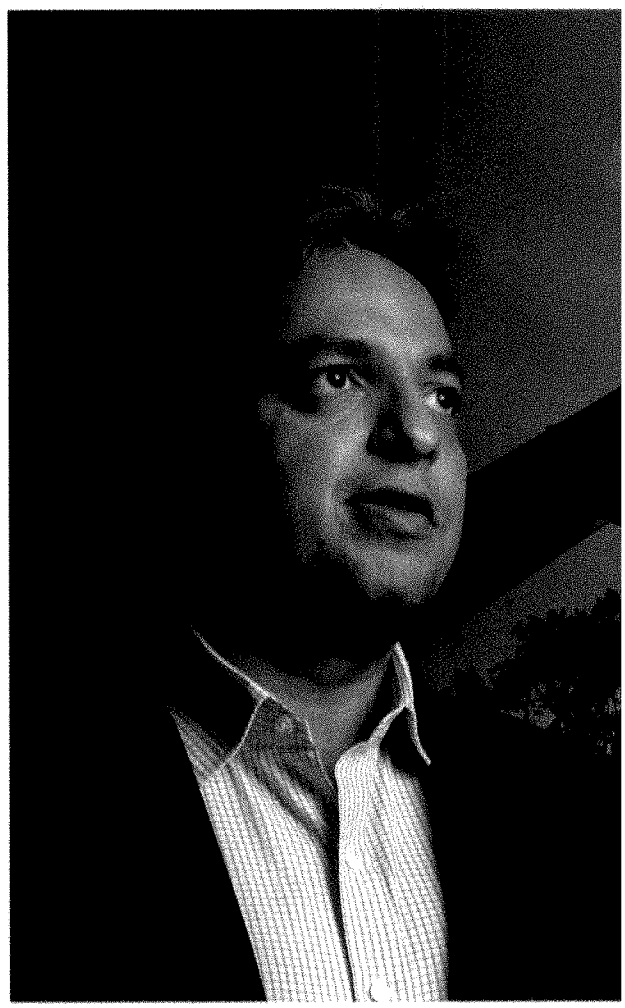
BUSINESS: Logistics, IT solutions, distripark, free trade warehousing zone, railways

TURNOVER: Rs 500 crore

TURNING POINT: When his earnings from tracking consignments for clients overtook trading profits.

LESS-KNOWN FACT: Family businesses Mittal Builders and Trade-Wings operating for over 50 years.

LEADERSHIP POTENTIAL: India's only integrated logistics service provider.



"With free trade warehousing zones, one European client will double its imports to $6 billion"

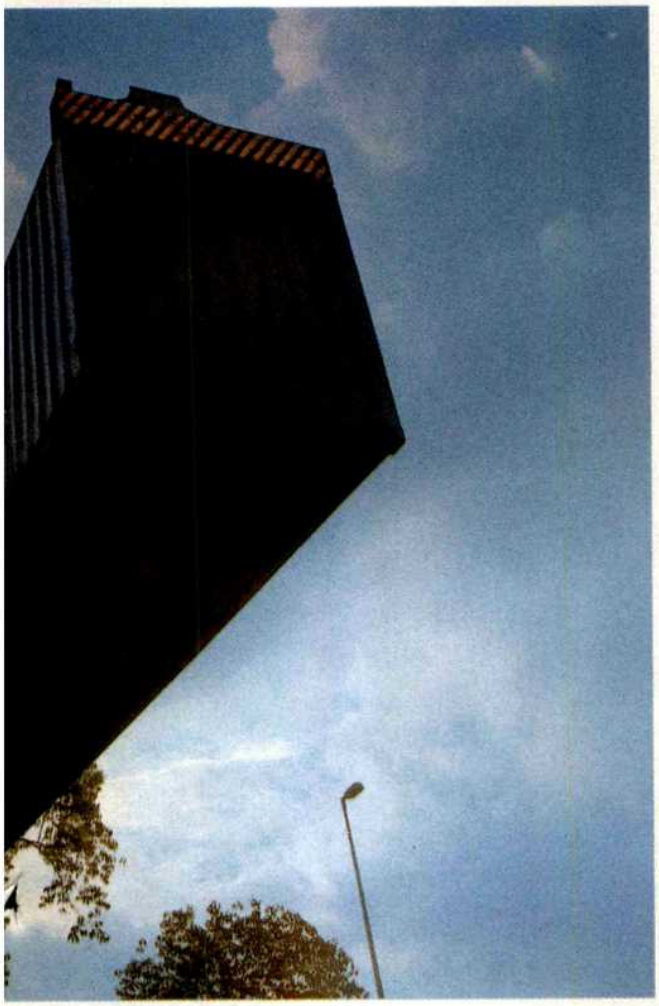
Ajay S. Mittal, Founder, Arshiya International

Remember that battery powered toy train you had as a kid? And how it went round and round on its tracks? But you ended up with a desk job or as a road warrior. Well, Ajay S. Mittal is one lucky man—he started off with the usual stuff, like an MBA from the US and a stint in the family business, before moving away to do his own thing, but now is the proud owner of entire goods trains.

Mittal's first foray was as a trader in chemicals and petrochemicals. But when the flow of information through the Internet and e-mail left his margins in tatters in just five years, Mittal figured he could get clients to pay a premium for on-the-dot delivery of promised goods. "Premium on information became higher than trading," recalls the 45-year-old Mittal, who is Chairman and Managing Director of Arshiya.

Mittal realised the importance of logistics in a booming economy crippled by bad infrastructure. But he had no experience in logistics, so he roped in BDP International, the US-based global logistics major, in 2000 as a partner and put Rs 50 lakh on the table. BDP India, as the foray was called, began with plain vanilla freight business, even as

Logging into Logistics



UMESH GOSWAMI/www.indiatodayimages.com

Mittal continued his trading business.

Pretty soon, Mittal could see the money in the glaring gaps in the logistics chain. Globally, the logistics business was in parts rather than a complete chain.

Mittal now decided to concentrate fully on logistics and sold the trading business. So, in 2004 he decided to make BDP India an integrated logistics solution provider with services like supply chain, free trade warehousing, railways, IT solutions and so on. His client list grew—DuPont, BASF, AMD, Reebok, Mahindra & Mahindra, Videocon...

In 2006, Mittal acquired a listed firm, IID Forgings, and renamed it Arshiya International after his daughter, and merged BDP India with it.

Mittal sees huge potential for logistics service providers and says India can become a global hub for trading if one can put in place better logistics infrastructure.

Arshiya is now setting up free trade warehousing zones (FTWZS), where it will provide space to manufacturers, warehouses, exporting and importing of goods and all the documentation required by government and other agencies.

Arshiya has even bigger plans in railways: Mittal plans to own at least 30 rakes (they are running four rakes currently) and operate them on Indian Railways' network.

However, some analysts are a bit concerned over these two businesses. "We maintain our concern over the feasibility of FTWZ and profitability of the domestic rail business," says a B&K Securities report.

Realising the importance of technology in such services, Mittal has set up a Singapore-based IT subsidiary, Cyberlog Technology.

Some of the services that he started, including the FTWZ, were born out of his interactions with customers. Mittal says one Arshiya customer imports $3 billion (Rs 14,400 crore) of goods from India into Europe, from where it exports to various parts of the world after value addition.

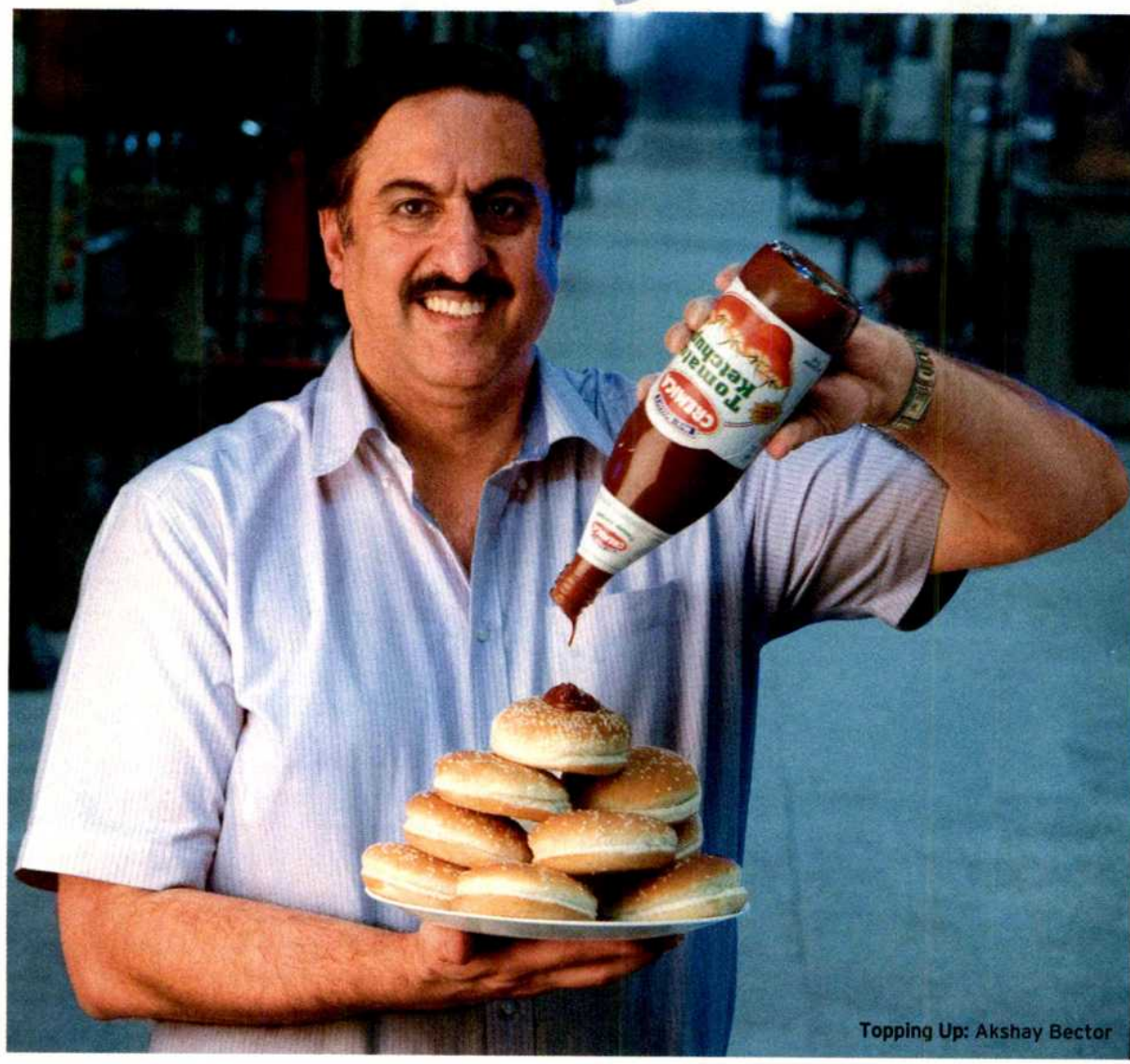
But India's famed logistics problems restrict the volume of the imports. Once the FTWZ begins operations next year, imports will double to $6 billion (Rs 28,800 crore) a year—with all the value addition being done in India at Arshiya's FTWZ.

Arshiya has plans to invest Rs 3,000 crore over the next 18 months in setting up five FTWZS and buying 30 railways rakes. The recent slowdown in the global trade has not deterred Mittal: he claims his volume growth was 30 per cent in the last fiscal.

His revenues come from movement of goods, IT solutions and distriparks; railways will chip in this year and FTWZS—for which it has government approval—from next year. ⊙

VIRENDRA VERMA

Kitchen Biz to Baking Giant



Topping Up: Akshay Bector

SATISH KAUSHIK/www.indiatodayimages.com

From making ice cream in a hand churner with the help of her maid to a factory turning out 2,50,000 buns a day for McDonald's: not bad for a housewife without any fancy degrees or MBA stamp. That's Rajni Bector for you. Three decades ago, in 1978, Mrs Bector's kitchen-made ice cream started becoming popular in Ludhiana's party circuit and fetes. When the volumes overwhelmed her kitchen, she and her husband invested Rs 20,000 in a backyard facility.

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CREMICA GROUP

BUSINESS: Biscuits, bread, buns, sauces and toppings.

TURNOVER: Rs 380 crore

TURNING POINT: Tie-up with McDonald's India in 1996 to be the sole supplier of buns, sauces and toppings.

LESS-KNOWN FACT: Makes 2,50,000 buns a day.

LEADERSHIP POSITION: In biscuits, it is #3 in Punjab, #2 in Himachal and #3 in J&K.

"We will invest Rs 50 crore over the next three years,"

says Akshay Bector, MD, Mrs Bector's Food Specialties

Very soon, she began making bread on an industrial scale, 50,000 loaves a day. Then, in 1992, came biscuits, 200 tonnes a day (today she is a name to reckon with in the biscuits market in three states). While she was expanding the business, her sons Ajay, Akshay and Anoop gradually joined her, in early and mid 1990s, and Bector's Cremica Group is a widely-diversified food products and service company today, growing at 30 per cent annually.

The turning point came when McDonald's India chose Cremica as its sole supplier of sesame buns, liquid condiments, batter and breading. It was 1996, McDonald's had just set up its operations in India and was looking for quality suppliers of raw materials.

"At that time, we were doing some breads and buns business, but largely focussing on the biscuits segment. But when McDonald's approached us, we thought it could be a big deal. After imparting rigorous training to our workers, and testing our capability and quality standards by making a series of visits to our factory, McDonald's got convinced about us," recalls Akshay Bector, Managing Director, Mrs Bector's Food Specialties, the group's flagship. Rajni Bector is now the Chairperson of Cremica Group, and she indirectly looks after its growth and expansion plans.

In order to meet McDonald's requirement, the company sealed two 50:50 JVs with UK-based EBI Foods and US-based Quaker Oats. The tie-up with EBI Foods was essentially to acquire batter and breading technology, Quaker Oats helped the company enter the liquid condiments business. "The sauces plant, which was designed and set up by the Quaker Oats' technical team, had an initial capacity of 1 lakh litres per month. However, three years later, Quaker Oats withdrew from the joint venture," says Akshay.

In 1996, before the McDonald's link, Cremica had reported revenues of around Rs 20 crore. It is aiming for Rs 500 crore in 2009-10, and Rs 850 crore by 2011-12. "In terms of market share, we are amongst the top five players in the biscuit industry in India and amongst the top three in the tomato ketchup industry," says Akshay.

While biscuits continue to be the biggest contributor to the top line with a 65 per cent share, Cremica is also expanding its presence in ready-to-eat foods, snacks and liquid condiments. Cremica's liquid condiment plant is producing almost 7.5 million litres of sauces, and caters to both retail and institutional markets, with capability of packing the products in a wide range of formats.

"...We will invest Rs 50 crore over the next three years," says Akshay. Besides, the company is also setting up a food-processing facility in Haryana at an estimated cost of Rs 30 crore to cater to domestic and export markets. Cremica plans to go public in the next financial year to raise funds. In 2006, Goldman Sachs picked up 10 per cent stake in the company at a valuation of Rs 500 crore.

Apart from being an important link in the supply chains of Café Coffee Day, Barista, Pizza Hut, Domino's Pizza, some hotel groups, HUL, Spencer's, Big Bazaar and airlines, Cremica is also exporting to 50 countries, including Canada, the US, UK, Australia, and some in Africa and West Asia. "Exports generate 15-20 per cent of the total revenues. Products such as ready-to-eat ethnic curries and gravies are doing well in markets such as Australia and the US," says Akshay.

North India being its forte, Cremica is also spreading its wings in other parts of the country. Its range of liquid condiments, including mayonnaise, ketchups and dessert toppings, are being rolled out in metros and tier-I towns in different parts of the country. "Trial runs are under way in metros such as Mumbai and New Delhi. We are hoping our products will pick up in the next 2-3 years," says Akshay. ⊙

MANU KAUSHIK

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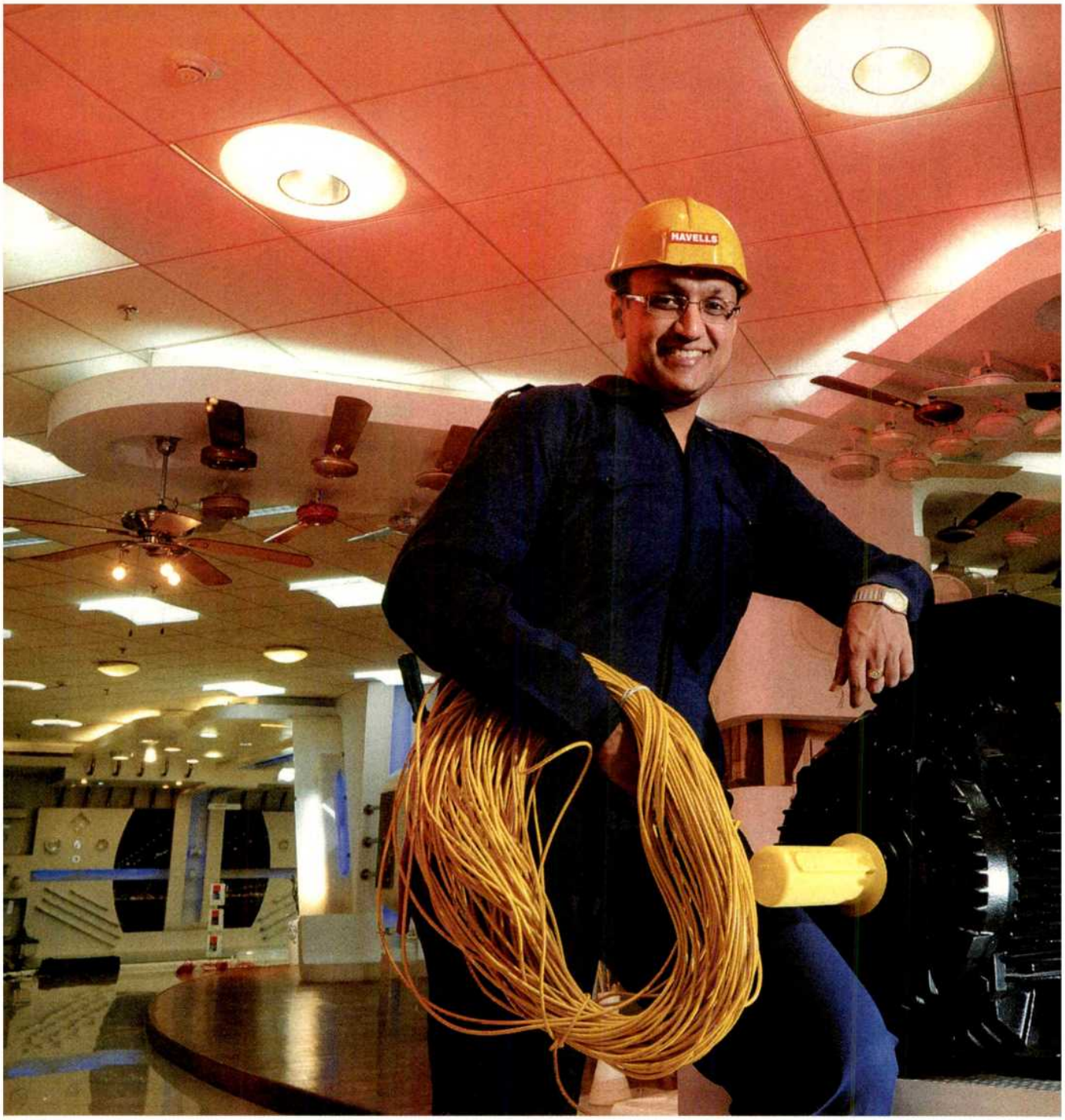


The year was 1958. Qimat Rai Gupta, a young school teacher from Malerkotla in Punjab, had reached Delhi to pursue his dream of starting his own business. He invested his entire savings of Rs 10,000—a substantial amount then—to launch a small trading business in cables and wires at the Bhagirath Place wholesale electrical goods market.

Over the next decade, the school teacher's business acumen and perseverance yielded rich dividends and he took the next step: backward, into manufacturing. But he needed a brand. What better than Havells, with its vaguely foreign twang? Acquiring Havells for the princely sum of Rs 10 lakh in 1971, he moved up from being a trader in electrical equipment to a manufacturer of switchgear.

Indeed, that laid the foundation for the success story that is Havells India today. Reminisces Gupta's son Anil, who is now the Joint Managing Director of Havells India: "What sets my father apart is his calculated risk taking abilities. He is never satisfied and is always looking to do something new. That is why he

He Lights up Your Life

VIVAN MEHRA/www.indiatodayimages.com

HAVELLS INDIA

BUSINESS: Switchgear, electrical fittings and lighting

TURNOVER: Rs 5,400 crore

TURNING POINT: In 1998, when intense competition from MNCs made it invest heavily in manufacturing.

LESS-KNOWN FACT: Brand spending is more than that of top five brands in sector put together.

LEADERSHIP POSITION: Among the top three in every product category.

"We had to make world-class products and scale up distribution"

Anil Gupta, Founder's son and Joint MD, Havells India

moved on to manufacturing, even though the trading business had taken root."

Over the next couple of decades, Qimat Rai Gupta aggressively expanded his manufacturing base in Delhi. In the '70s and '80s, Havells started making changeover switches, HBC fuses, and miniature circuit breakers (in a JV with Geyer, Germany). By 1990, revenues had hit Rs 30 crore.

But the turning point for Havells came in 1992, when Anil joined the family business armed with an economics degree from Delhi's Shri Ram College and an MBA from Wake Forest, North Carolina.

Anil had global ambitions for the group: "I felt that the group had to adopt a two-pronged strategy. One, our products should be world class in terms of quality and technology. Two, we should rapidly scale up our distribution network, both in India and abroad, to gain market share."

To achieve this, he gradually shut down the old manufacturing plants. All the ten plants that Havells today has are new and have the latest technologies. At the same time, he expanded the product portfolio. Today, Havells makes industrial cables and wires, switches (Crabtree), fans, compact fluorescent lamps and lighting fixtures. It's among the top three in most of its products and is increasing market share with some aggressive brand building.

Now, Anil and his core team are planning to take the Havells brand global. The acquisition of Sylvania, the world's fourth-largest lighting and fixture brand, has given it a distribution network spanning 50 countries, mainly in Latin America and Europe, and a diverse product portfolio.

Today, the school teacher lords over a Rs 5,400-crore business employing over 7,000 people. Its strong brands, large distribution network and diverse product portfolio will be its key strengths driving its growth internationally.

RISHI JOSHI

IRB INFRASTRUCTURE

BUSINESS: Building and operating toll roads.

TURNOVER: Rs 1,021 crore

TURNING POINT: Getting to operate and maintain Mumbai-Pune Expressway in 2004.

LESS-KNOWN FACT: Family business is a leading toll-collection agency.

LEADERSHIP POSITION: Leader in operations of toll roads in India.

"There is huge potential for BOT projects in the next 15-20 years"

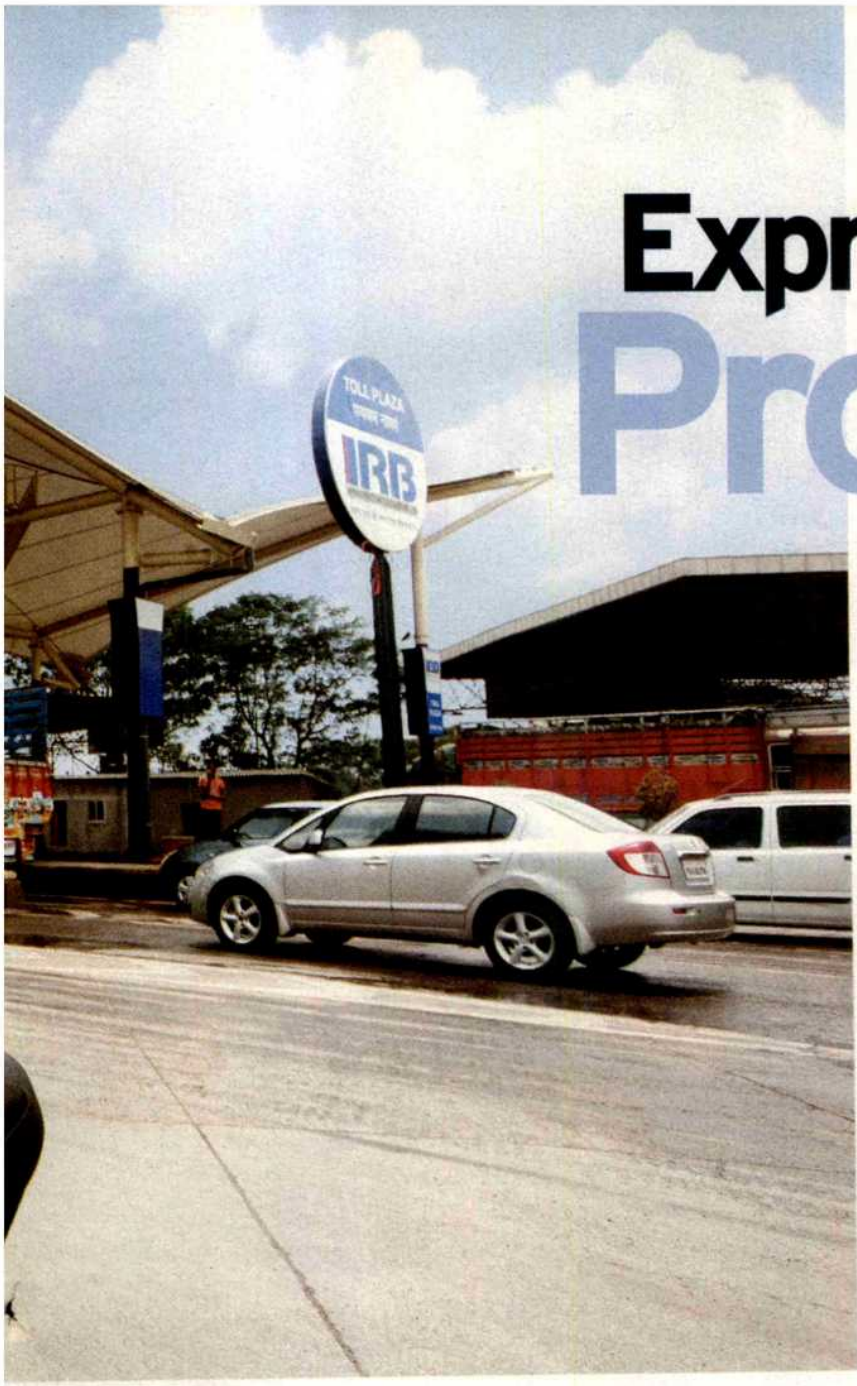
says Virendra D. Mhaiskar, CMD, IRB Infrastructure Developers

There are people who know what they are going to do in life right in college. Virendra D. Mhaiskar is one of them. Mhaiskar decided to join the family business of constructing and operating toll roads even as he was studying civil engineering.

By coincidence, his career began just when India had unveiled the reforms of 1991, opening the gates to public-private partnerships in infrastructure. Mhaiskar was first off the block, bagging a build-operate-transfer road (BOT) project near Mumbai in 1995.

He saw BOT roads as the future and floated IRB Infrastructure Developers in 1998. "At that time I thought this was an extremely good model to grow," says the 38-year-old Mhaiskar. But, for the next few years, the government offered precious little by way of BOT projects. Even so, Mhaiskar could figure out that, to

Express Profits



BHASKAR PAUL/www.indiatodayimages.com

build and operate roads, you need to have full control on the construction.

"Delay in projects increases the cost and affects the internal rate of return of the project and the profitability," he says. To keep costs down, IRB decided to own its construction equipment. "In road construction, where the profit margin is 8-10 per cent, having our own equipment helps us to be in a slightly better position," he says.

For IRB and Mhaiskar, the biggest break came in 2004 when the company paid Rs 918 crore upfront to the Maharashtra State Road Development Corporation for operating the Mumbai-Pune Expressway and a parallel national highway connecting both cities. It was IRB which made the Expressway a success by ensuring that both roads would have a toll.

Today, the Mumbai-Pune roads contribute Rs 80-90 lakh every day and are IRB's cash cows. Another toll road with a similar toll collection is the Mumbai-Surat highway, which IRB bagged this year.

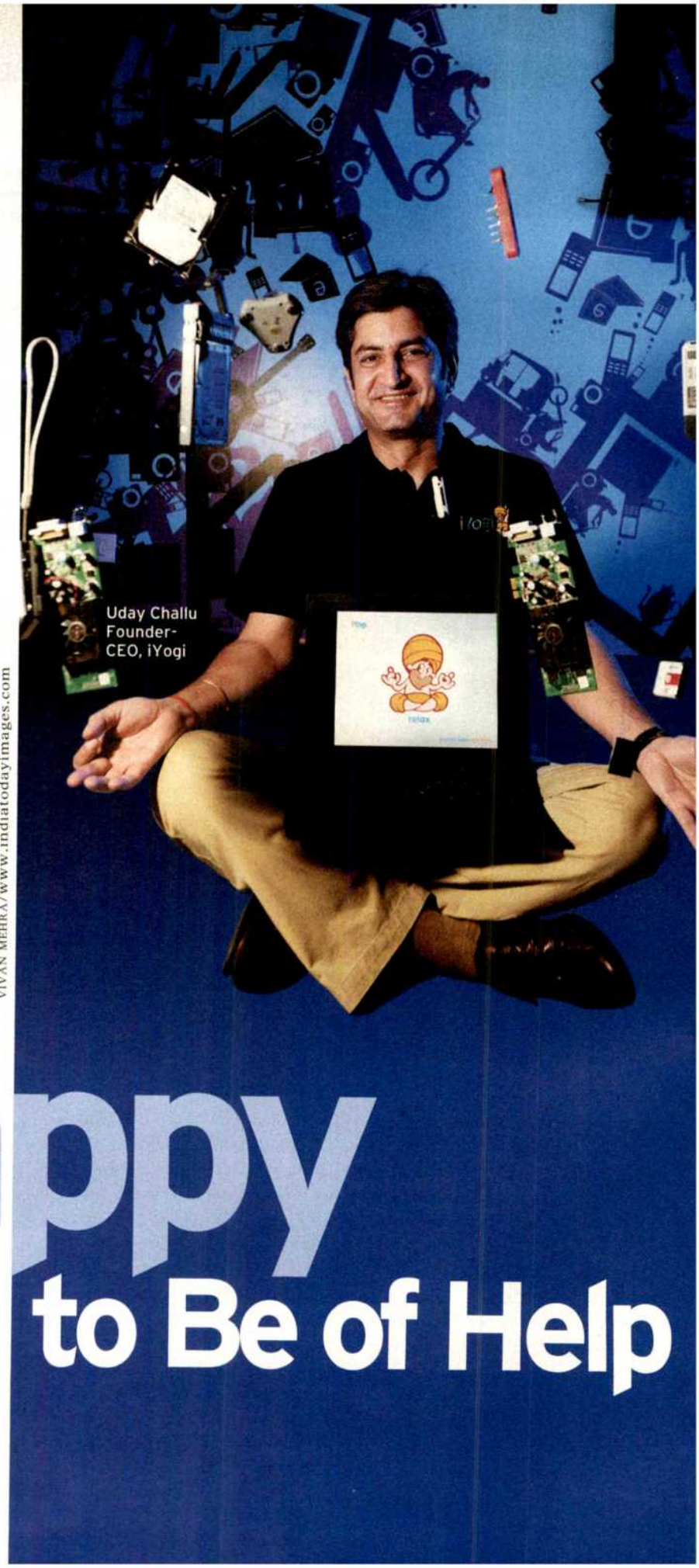
Mhaiskar has decided to continue building highways on a BOT model. "There is huge potential for such projects in the next 15-20 years considering the road infrastructure," says Mhaiskar. Currently, IRB has over 800 km of toll roads under its operations and has orders for over Rs 10,000 crore.

In highways, the focus will be on National Highway-4 (Mumbai-Chennai) and National Highway-8 (Mumbai-Delhi). Mhaiskar also plans to set up an airport on the BOT model in Maharashtra's Sindhudurg district to tap into the tourist flood into nearby Goa. "If we are able to attract even 20 per cent of Goa's tourists it will be big for us," he says. The investment in the airport will be Rs 150 crore, but it has not yet decided when the project will start.

Another area IRB plans to get into is real estate, but it will not infuse cash in this business and will prefer to go for joint development where IRB will have land and another partner will be the developer. It already has around 1,250 acres along the Mumbai-Pune expressway. ⊙

VIRENDRA VERMA

Happy to Be of Help



VIVAN MEHRA/www.indiatodayimages.com

Now is not the best time for bold moves, but don't tell that to Uday Challu. The audacity of the 47-year-old Founder-CEO of iYogi is coded into his business. In 2005, when he launched iYogi, scepticism greeted his business model—this man wanted to sit in Gurgaon and provide online technical support for personal computers to individuals and small businesses in the US!

Today, it's tough for the sceptics to laugh at a turnover of Rs 100 crore (expected this year). But what do they say if the man decides in the middle of the recession to expand his global footprint and acquire talent in the US and the UK?

Challu's business, which he

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started with $750,000, is doing well, thank you: his customer base is growing at 15 per cent a month. And by the way, he has created vendor-independent support as a new service category. iYogi offers support for a wide range of technologies, including hardware, Microsoft Windows operating systems, software, peripherals and multi-functional devices.

iYogi is privately-held and has raised capital from three venture funds. Through its three rounds of funding, including angel, Series A (Canaan Partners and Silicon Valley Bank) and Series B (Canaan Partners and Silicon Valley Bank), iYogi raised $12.8 million.

What made Canaan Partners fund a venture that had no worthy precedent of success? "The ability to disrupt the market, most of which has a local base," says Alok Mittal, Managing Director, Canaan Partners. The competing business came from OEM vendors with less connectivity and a resolution rate of 50-60 per cent. iYogi had a resolution rate of 85-90 per cent. iYogi's model had faster service, and greater overall satisfaction.

Challu's background may have helped: He had co-founded a third-party desktop support business in 1986, held key roles in start-ups, and was head of operations at a mid-size SAP implementation company in the US called Dynpro in the late '90s. In 1999, he had co-founded Concordia Consulting, a management consultancy boutique.

Most recently, (in 2003 and before iYogi) Challu co-founded IQ Resource, an outsourcing company focussing on B2B media. He currently serves on the board of Wizcraft, an entertainment media company.

Equally weighty was the market size. Take the US: there are currently more than 200 million PCs that are out of warranty and an average customer needs tech support at least four to six times a year. "Additionally, the ecosystem for support is changing as traditional providers are no longer the preferred option," says Challu. So, the same model is delivering growth country after country. "Our focus is on delivering a personalised service for the individual, and the approach is geography-agnostic," he says.

Most of iYogi's growth is coming from consumer business in the US, the UK, Australia and Canada. It is also expanding its services in 12 new geographies in the next 18 months. Other than consumer business, it has forged partnerships with the likes of Amazon and Wal-Mart to sell its service.

What next? India. iYogi has set up the infrastructure and will focus on launching the offering for small businesses first and then go on the consumer front. "We are now working on our go-to-market strategy for this market. We will be looking at partnering with ISPs to reach the end consumers," says Challu.

iYogi currently has 850 employees. "Our current ramp-up plan, based on existing marketing channels, is to increase our base of employees by 15 per cent every month," says Challu.

In addition, as part of its unique global service delivery strategy and to support growing North American demand, it is recruiting and training US-based support staff. Acquisition of quality talent is top of Challu's agenda. He claims to have a zero per cent attrition at middle to senior levels. In May 2009, when iYogi acquired the US-based PC Clean Machine, a PC concierge company, the founder of the company Larry Gordon joined iYogi as the head of global sales channels. Now, former Rediff.com CFO Joy Basu is set to join him.

How sustainable is iYogi's growth? Canaan's Mittal says: "One of the key inflexion points for iYogi is reaching more verticals. That will determine where it lands three years from now."

A VC hawk puts his stamp of approval on iYogi but also has a word of caution. Says Saurabh Srivastava, Chairman, Indian Venture Capital Association: "iYogi has a very good model that it can leverage through alliances and partnerships. As it scales to $100 million and beyond, it will face a challenge in maintaining its profitability as it will have to go in for organisational changes to manage a company of that size." ⊙

SAUMYA BHATTACHARYA

iYOGI

BUSINESS: Computer support. Provides technical assistance to home and small business consumers via phone and remote online access in the US, the UK, Australia and Canada

TURNOVER: Rs 100 crore (estimated 2009-10)

LESS-KNOWN FACT: iYogi's resolution rate today is 85-90 per cent and is the highest published benchmark in the industry, where average hover around 50 per cent.

KEY SKILL: Tailormade services from the point of view of the customer.

"Our focus is on delivering personalised computer support services for the individual, and the approach is geography-agnostic"

Uday Challu, Founder-CEO, iYogi

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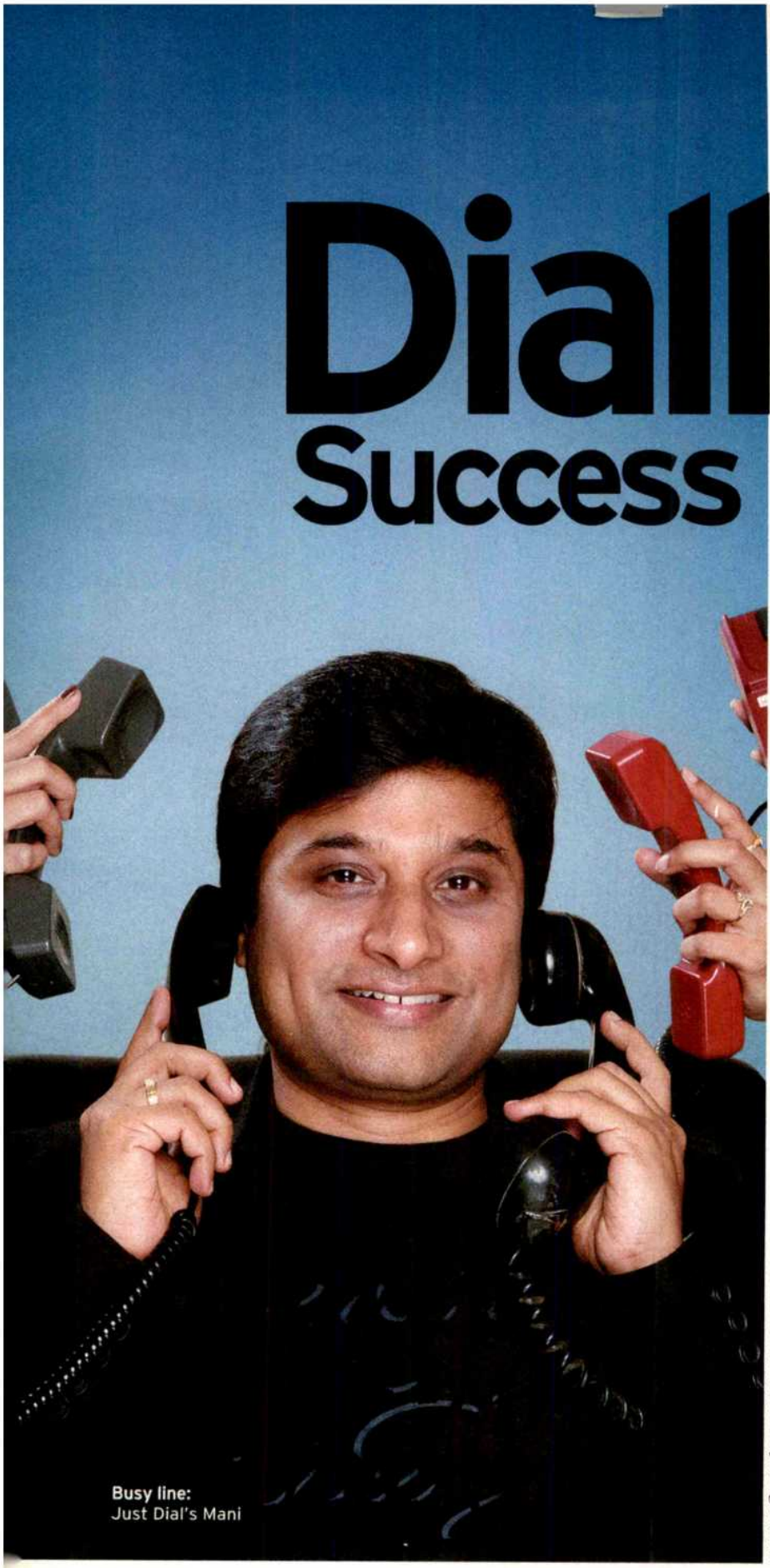
Dialling Success



Busy line:
Just Dial's Mani

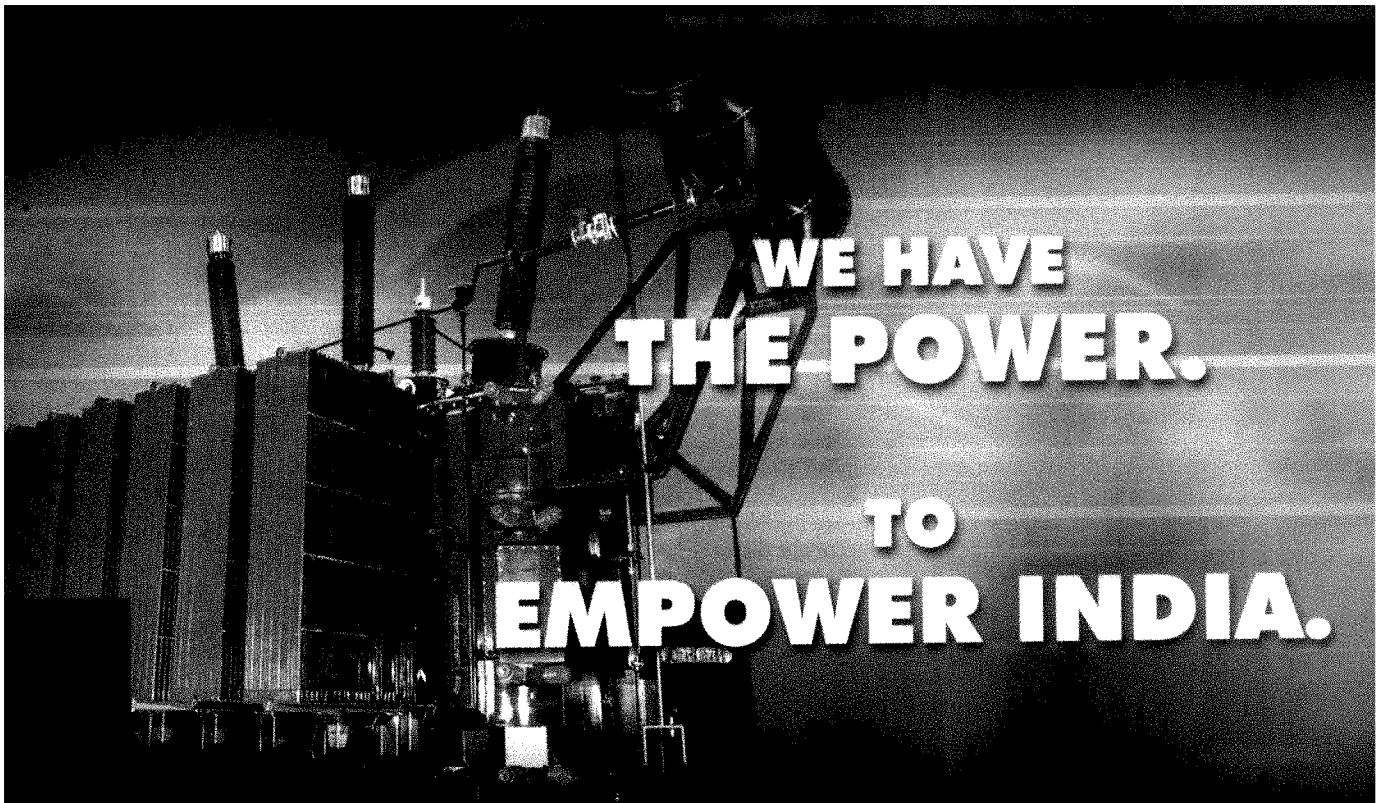
UMESH GOSWAMI/www.indiatodayimages.com

West Bengal's Chief Minister Buddhadeb Bhattacharjee had once upon a time hoped to bring in the big bucks by exhorting a lethargic bureaucracy to "Just Do It". He failed.

Maybe he should have tried the phrase "Just Dial". V.S.S Mani did, and today his dial-for-information service has revenues of Rs 91 crore. Best of all, he began the service in 1996, when the government-owned companies were the only players in telephony and it could take you years to get a telephone connection.

Mani's story began in 1987, when, as a fresh BCom graduate with aspirations of becoming a chartered accountant, he had to earn a living and began selling listings for United Database India for its yellow pages. Why a directory? he asked himself. Why not a phone number that anybody could call for free and ask for information?

Money. He needed money to fund his dream. So he worked on different ideas from 1989 to 1994, finally landing in Mumbai with Rs 50,000 in his pocket in 1995. Even then, he had to do other things—like a



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matrimonial magazine—to survive. By now, he was dreaming numbers. "I used to dream of numbers such as 6666, 8888, 3333 and how millions of people are using my services," he recalls.

When he finally could focus on his dream, he had a stroke of luck: The general manager of Mahanagar Telephone Nigam Ltd's Kandivili exchange liked Mani's idea so much that he promised to give him the number 888 8888. (Those were the days when MTNL was the only player and you had to wait years for a phone.)

"I do not know how it happened. I just went and met the general manager... and he assured me that the 888 number was mine. I guess when you dream of something and you want it desperately things automatically fall in place," says Mani.

Mani applied for three phone lines by paying Rs 3,000 for each (he could not afford the Rs 15,000 required for the own-your-telephone scheme) but put the waiting time to use by sending out a team of data collectors to get names and telephone numbers of small and medium size establishments. He finally launched Just Dial in 1996 from a rented garage with borrowed furniture and rented PCs, and working capital of Rs 50,000.

Today, Just Dial is valued at an estimated Rs 500 crore and claims to have 95 per cent of the market. It has grown out of the garage: the headquarters sits in a 20,000 sq. ft office in Malad, and it has a presence across 240 cities and towns. Around 4,25,000 people use Just Dial every day, calling up or hitting its website. Just Dial replies with numbers of three million establishments across India.

Mani attributes his success to passion and hard work: "I faced a lot of challenges... It's not that if you do not have capital you cannot do a business... My philosophy was simple: it was to see a day-to-day improvement in my business and overcome the challenges."

Just Dial was helped by the telecom sector's liberalisation and the mobile telephony boom. Its success drew a series of investors after the first ten years: Hong Kong's SAIF Partners, US-based Tiger Global and most recently Sequoia.

Mani, never one to miss an emerging trend, launched justdial.com two years ago. The Website gets 1,85,000 visitors a day. Next: A long-code SMS Service at the price of normal SMS.

While callers (the new number is 6999 9999) don't pay anything, Just Dial began earning initially from a flat fee structure and then moved to an advertising-led model in which it charged its clients a huge premium for featured positions. Today, it has a pay-per-lead model inspired by Google. Out of the three million establishments registered with Just Dial, 1,00,000 are sponsored—much of the company's revenues come from this and through advertisements.

According to Mani, Just Dial's EBIDTA margins are now 25 per cent. Mani expects revenues to grow to Rs 130 crore by the end of the current fiscal.

The company has also invested a great deal in technology to aid customer queries. "All our software is indigenously built from the start. Today, the entire operation is completely automated. The technology enables the query to be answered by a text message even before the caller can finish the call," says Mani.

With the arrival of 3G technology, Mani is confident of providing information in a rich content format such as video and pictures. ⊙

ANUSHA SUBRAMANIAN

JUST DIAL

BUSINESS: Providing listings over the phone

Turnover: Rs 91 crore

TURNING POINT: In 1996, when V.S.S. Mani impressed a sarkari babu enough to get a special number.

LESS-KNOWN FACT: In his tweens, when there was no cable TV, he organised a paid video show.

LEADERSHIP POSITION: Leader in India's local search space, covering 240 cities.

BIG OPPORTUNITY SPOTTED: Who wants a paper directory? Set up a phone service!

TREND CAPTURING SKILL: Phones are not all—was quick to launch justdial.com.

INVESTMENTS FOR TOMORROW: Has raised Rs 40 crore with which it will go abroad.

"I guess when you dream of something and you want it desperately, things automatically fall in place"

V.S.S Mani, Founder, Just Dial

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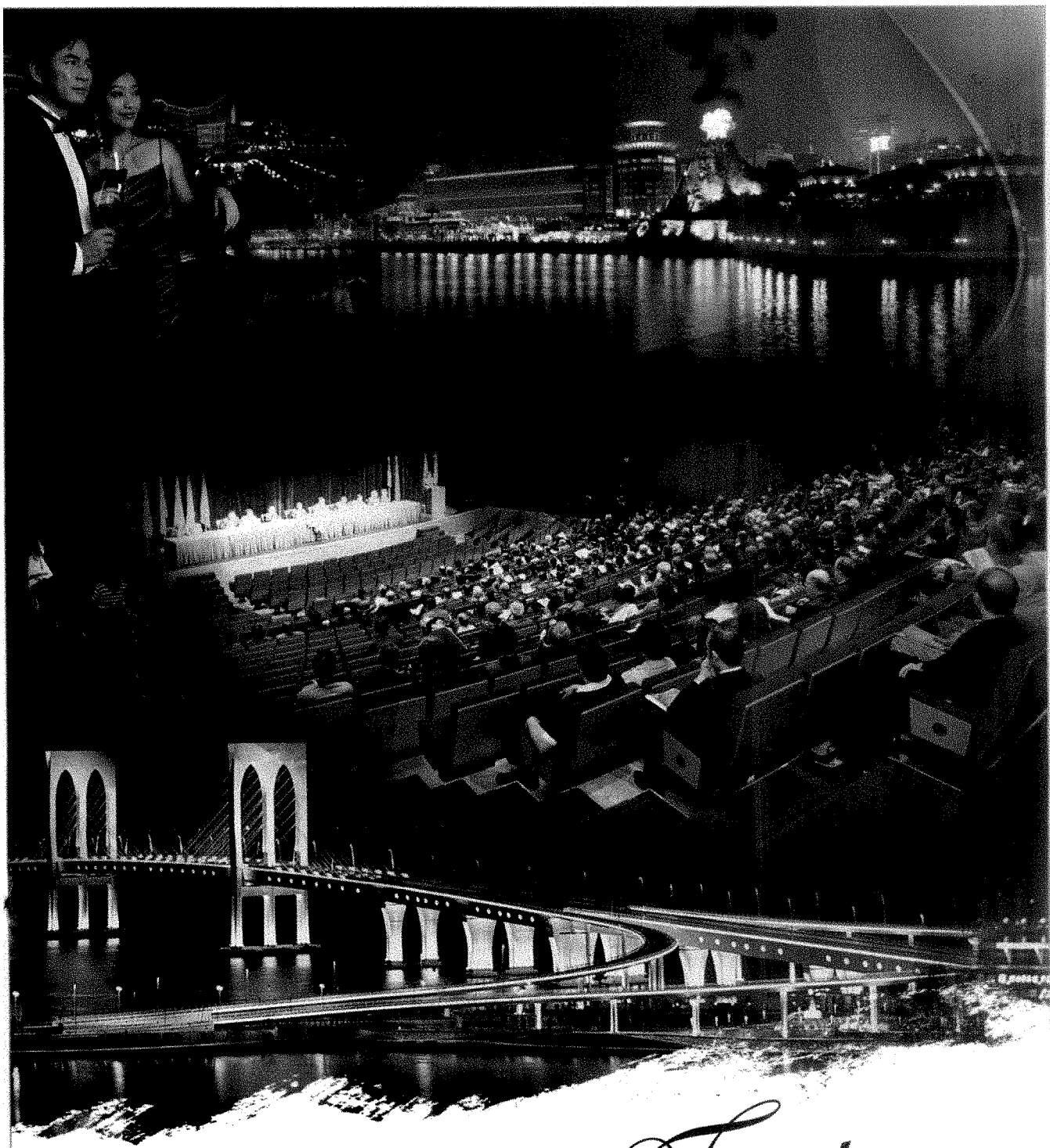

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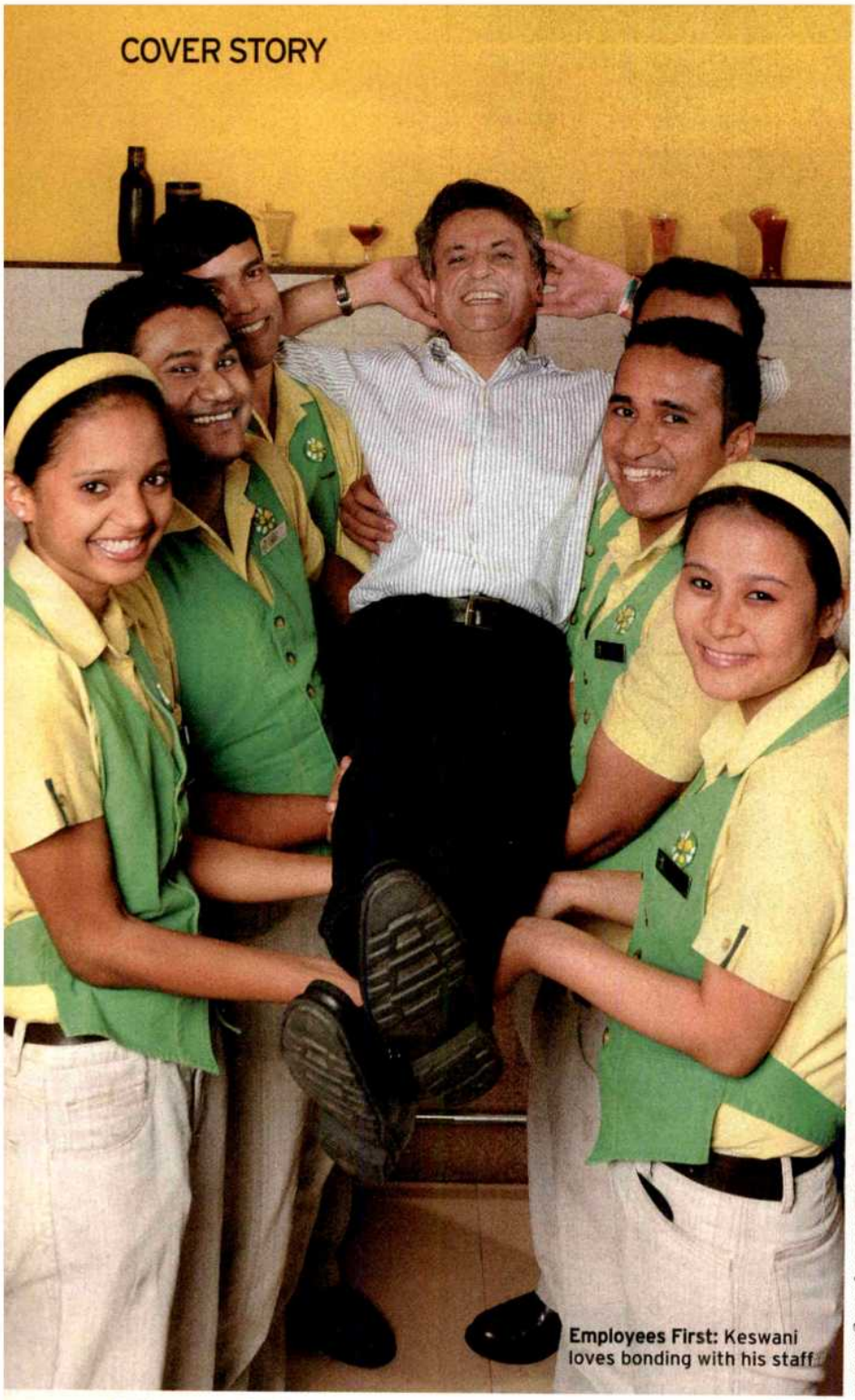


Employees First: Keswani loves bonding with his staff

VIVAN MEHRA/www.indiatodayimages.com

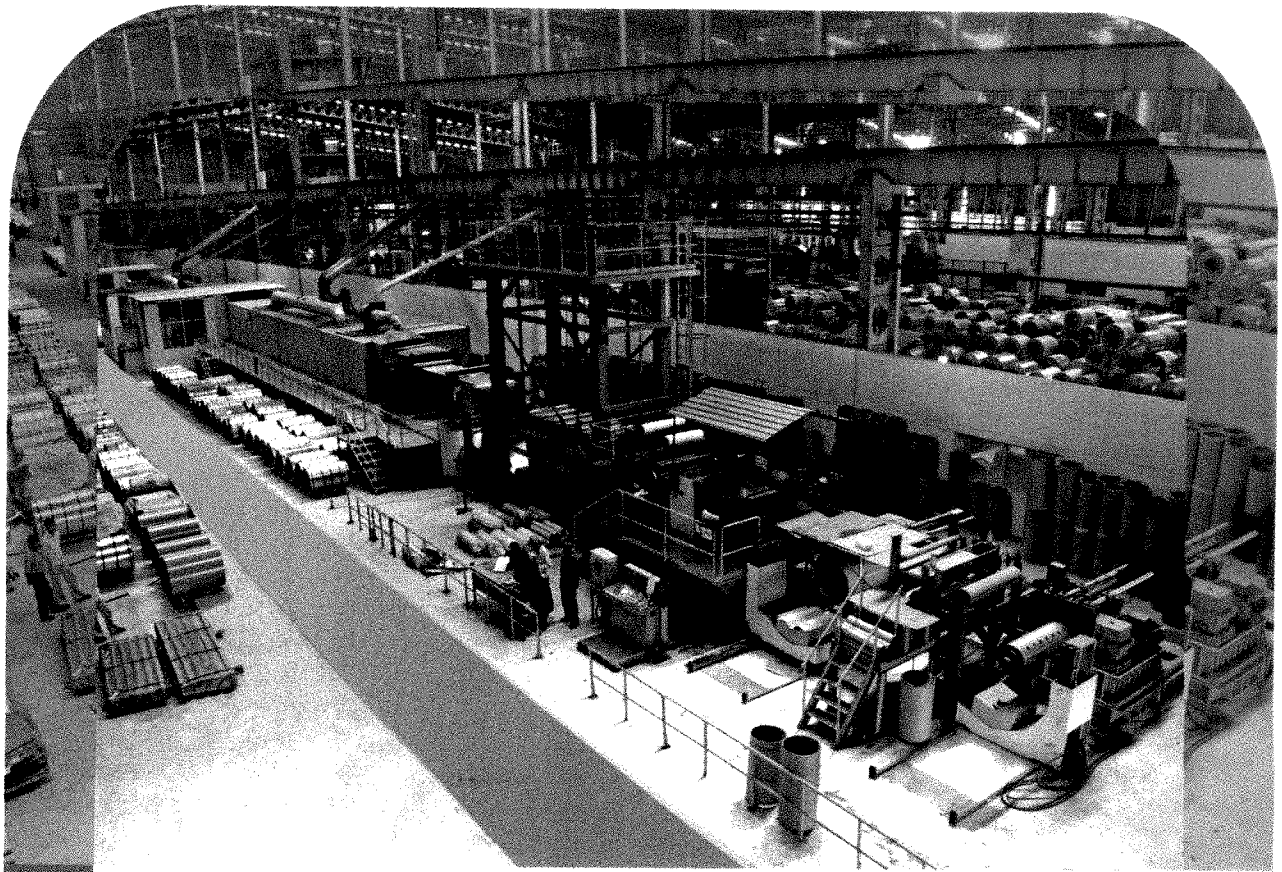
Maverick on the Move

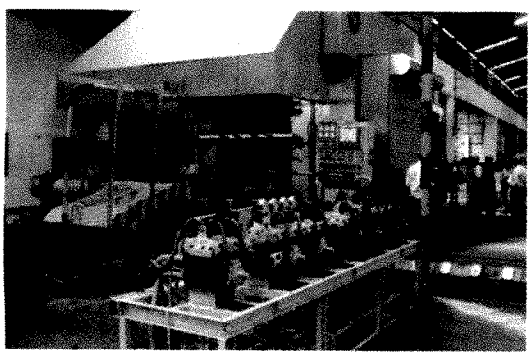
His pony-tail with the famed yellow butterfly bow may have gone, but not his chutzpah. Patanjali 'Patu' Keswani, 50, Chairman & Managing Director, Lemon Tree Hotel Company, refuses to let his age temper his radical thinking.

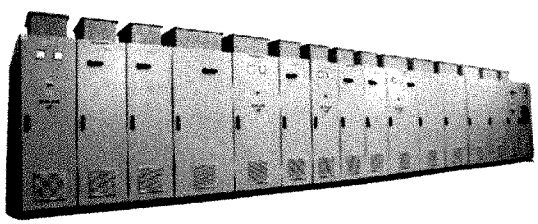
"My company does not exist for guests but for my employees—if we are great with our people, they will automatically be great with the guests. After all, I am not going to be interacting with my hotel guests. For me, my customers are my employees—period," he states matter-of-factly.

If that sounds cocky, it's because the hotel chain ended the year to March 31, 2009, with revenues of Rs 53 crore, more than doubling them from the 2007-08 level of Rs 22 crore.

So, how did this IIT-IIM graduate, with a brocaded career at the







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Tata Group, chuck up everything and still manage to land on the right side of things? "I was 39 years old and reaching the proverbial mid-life crisis and asking myself what I wanted to do," reminisces the former COO of Taj Business Hotels. That's when he got an offer from consulting firm A.T. Kearney. "They made me an offer I couldn't refuse—of Rs 1 crore a year," he quips, borrowing freely from his favourite tome, *The Godfather* by Mario Puzo. And though he admits consulting didn't quite give him a kick, the time spent with A.T. Kearney did improve his appetite for risk.

Today, Lemon Tree sits pretty with an operational inventory of 1,000 rooms across 11 hotels with another 2,500 rooms scheduled to come up by 2012. It is also fathering a mid-market chain of hotels under the brand Red Fox, setting an ambitious target of a total of 20,000 rooms across both brands by 2020.

That would be quite an achievement for somebody who started his first hotel with his savings, loans and borrowings from friends. Today, he has the likes of Warburg Pincus, Kotak Realty Fund and Shinsei Bank as equity investors. Is he also, like several entrepreneurs of his era, building up scale and value to ultimately cash out? "I never say no but my world view has changed with every passing year as we grew bigger and bigger," he says. What that possibly means is that any suitor would have to contend with a substantial appreciation in Lemon Tree's selling price.

Keswani of course makes it sound quite simple on how he hit upon the goldmine—targeting the upmarket clientele with mid-market price hotels. "While we were a big hit with the guest-house clientele who upgraded to our hotel, the guests who stayed in the five-star hotels wanted more services at a not so brutal price point—which is why we scaled up our value offerings to upmarket four-star," he says. Most Lemon Tree hotel rooms are thus priced at 50-70 per cent of a city's five-star room tariffs. The three-star segment, so left vacant, is what he hopes will be filled up by his Red Fox brand.

With his hotel venture more or less on cruise mode—courtesy his strong management team, most of whom have worked with him at the Taj Hotels—Keswani is setting his sights on backward integration. Given that Lemon Tree has gone in for complete ownership of land assets, Keswani has gotten into commercial real estate development.

"Not many people know that we as a group are owners of 2.5 million sq. ft of real estate across the country, of which 1.8 million sq. ft has been developed as hotels," he points out. The aim is to have all the expertise required to build and operate hotels under one roof without the need to shop for an agency.

While Keswani is gung-ho about the future, he is equally candid about the downturn that has engulfed the economy since last year. "The first thing about a downturn is that nobody can predict it. And secondly, if it happens, it's a good opportunity to revisit your business model," he says. For him, the key is cost control rather than lay-offs. "You can't determine pricing...What you can control are costs," he observes. This could include simple measures like shutting down some elevators during non-peak hours or lean periods to save power—something the BT team observed during its recent visit to Lemon Tree Hotel in east Delhi.

Certain ambitions, too, have been scaled down—among them his plans to raise Rs 680 crore last year to fund his expansion, which he says has been a little too fast over the past five years, and a plan to invest in a property in New York.

An IPO, initially scheduled for 2011, has also been pushed back by at least a year. Still, the chain will invest Rs 1,700 crore for its expansion over the next three years. "The aim is to be the largest operator of hotel rooms not just in India but possibly Asia in the next 5-7 years," he says. ⊙

TEJEESH N.S. BEHL

LEMON TREE

BUSINESS: Hotels

Turnover: Rs 53 crore

TURNING POINT: Moving to A.T. Kearney gave him an overview of many businesses and an appetite for risk.

LESS-KNOWN FACT: "I make the best omelettes." Also, actors Lillette and Lushin Dubey are his siblings.

LEADERSHIP POTENTIAL: Lords over a category that was hitherto ignored: the four star.

"By 2015, we hope to make Lemon Tree India's largest hotel chain with 8,000 rooms"

Patanjali Keswani, CMD, Lemon Tree Hotel Co.

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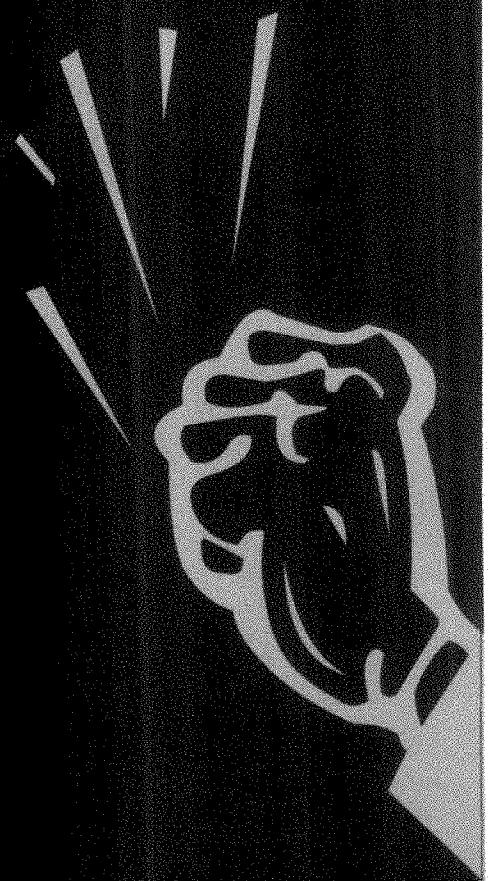

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PRIME FOCUS

BUSINESS: Post-production work in advertising, films and television

TURNOVER: Rs 354 crore

TURNING POINT: In 1997, when, as a Rs 75 lakh company, it decided to invest Rs 2 crore in the lucrative advertising post-production business.

LEADERSHIP POSITION: Controls 60 per cent of the Indian post-production and visual effects market.

"We did not have big qualifications... we only had the zeal and commitment to do something good"

Namit Malhotra, Founder and Managing Director, Prime Focus

He had no clue about the high-technology world of post-production and visual effects when he got into the business together with four friends in 1995. Today, Namit Malhotra's company controls 60 per cent of the Indian market, and also provides creative and technology services to filmmakers around

UMESH GOSWAMI/www.indiatodayimages.com

Growth with Special Effects

the world.

"We did not have big qualifications and had never worked in big multinationals. We only had the zeal and commitment to do something good and work hard to achieve that. And, here we are today as the only Indian multinational in post-production and visual effects business," says Malhotra, whose closest contact with the industry then was through his family's camera rental business.

Video Workshop, Prime Focus' original name, was set up with an investment of Rs 5 lakh and a single non-linear editing system. Within two years, its studio was behind 23 weekly TV shows and Video Workshop's turnover had hit Rs 75 lakh.

Two years later, it took the big leap into the high-value advertising business and also changed its name to Prime Focus Pvt Ltd. "It was one of the biggest risks I ever took. We had a turnover of Rs 75 lakh and we were making an investment of Rs 2 crore to set up the first high-end finishing system, to provide services for cutting-edge advertising, broadcast, design and music videos," says Malhotra.

The risk paid off. Today, almost all leading ad agencies and top ad film production houses are its clients. Prime Focus then added other segments such as telecine operations, film scanning and recording services, and digital post-production services for the big screen.

Next: the world. In 2006, it raised Rs 115 crore from the capital market and set up shop in the UK by acquiring a stake in VTR Plc, a high-end post-production facility, and Clear Plc, a visual effects boutique.

After this European gambit, it got a footprint in North America by acquiring Post Logic Studios and Frantic Films' VFX, which had offices in Los Angeles, Winnipeg and Vancouver. The company was rechristened Prime Focus VFX.

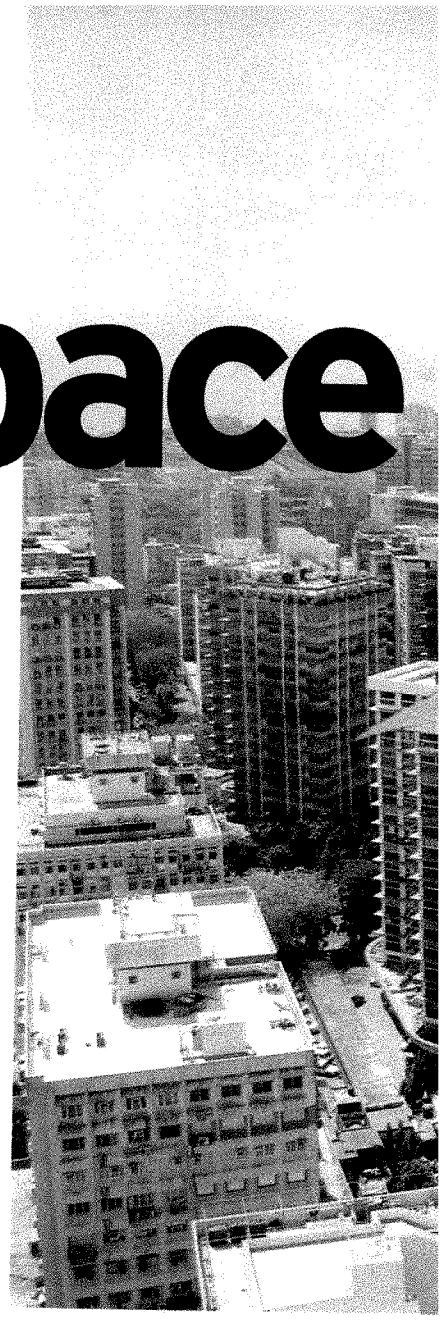
"While our focus is to build a certain pipeline to be able to get work across borders to India, unlike the typical outsourcing company we are also creating a very credible front-end operation in these markets," explains Malhotra.

But while the infrastructure has expanded rapidly (14 facilities worldwide in past two years), the acquisitions are not expected to contribute to overall profits before another year. For the year to March 2009, it reported consolidated revenues of Rs 354 crore and a net profit of Rs 14.58 crore. For the past three years, it has reported a compounded annual growth rate of close to 25 per cent.

The difficult part is in retaining the creative spark, acquiring the technological strength and the scale. "It is a unique challenge to maintain this triangle of creativity, technology and scale," Malhotra says. As for people, Malhotra takes pride in employing freshers for their creative spark. Fancy degrees are optional. ⊙

ANUSHA SUBRAMANIAN

The Collector in Cyberspace



TECHPROCESS SOLUTIONS

BUSINESS: Electronic payment services facilitator

TURNOVER: Not disclosed

TURNING POINT: In 2004, when he expanded his electronic payment services from utility bills to consumer loans, mutual fund SIPs and insurance premiums.

LESS-KNOWN FACT: TechProcess' story was published as a case study in entrepreneurial success by IIM, Ahmedabad in 2008.

LEADERSHIP POSITION: Originates 60-70% of all ECS Debit transactions in the country. It processed 100 million electronic transactions (amounting to Rs 40,000 crore) for the year ending March'08.

Finally, the tide of paper that threatened to overwhelm India's central bank is ebbing. The Reserve Bank of India's recent figures show a five per cent drop in the number of cheques processed in 2008-09, but a smashing 28 per cent growth in retail electronic clearing.

And the credit can probably be given to one man: Bikramjit Sen, the 43-year-old former ICICI Bank executive who set up what was then known as Billjunction.com. The engineering graduate, handpicked for ICICI Bank's e-commerce division in the late '90s, decided to make a business out of electronic bill payments. He quit his job and formed Billjunction in September 2000, with a handful of utilities as customers.

Sen's business model was not about eyeballs or advertising revenues (that's why many dotcoms folded up), but about charging a fee per customer for rendering its services.

This engineering graduate with an MBA from Delhi University had a tough time convincing the state-owned utilities to adopt the faster and more transparent way of paying bills electronically.

"We have also been able to bring down the lapse rate for our clients"
Bikramjit Sen, Founder-CEO, TechProcess Solutions

"There were a lot of apprehensions in the minds of utility companies," admits Sen, an alumnus of Kolkata's St Xavier's College.

On the other hand, not-so-Net-savvy consumers, habituated to paying by cash or cheque, had to be encouraged to shift.

Today, Sen commands a leadership position in electronic payment (the only competitor being Bill Desk) by originating more than 120 million transactions in 2008-09.

But that journey took him almost nine years from a handful of clients like MTNL, BSNL and Roltanet, to over 200 institutions ranging from utilities

PHOTOGRAPH: NISHIKANT GAMRE; IMAGING: RAVI SHANKAR/www.indiatodayimages.com

and telecom companies to banks.

"Our focus is on transaction-intensive industries," says Sen, who also changed the name from Billjunction to TechProcess to reflect the company's new businesses.

The turning point was in 2003, when Sen started studying other verticals like consumer loans, in which borrowers had to write out dozens of cheques in advance to pay for car or home loan instalments. With the help of TechProcess, today, all the customer has to do is give a written mandate to his bank. The rest is done electronically.

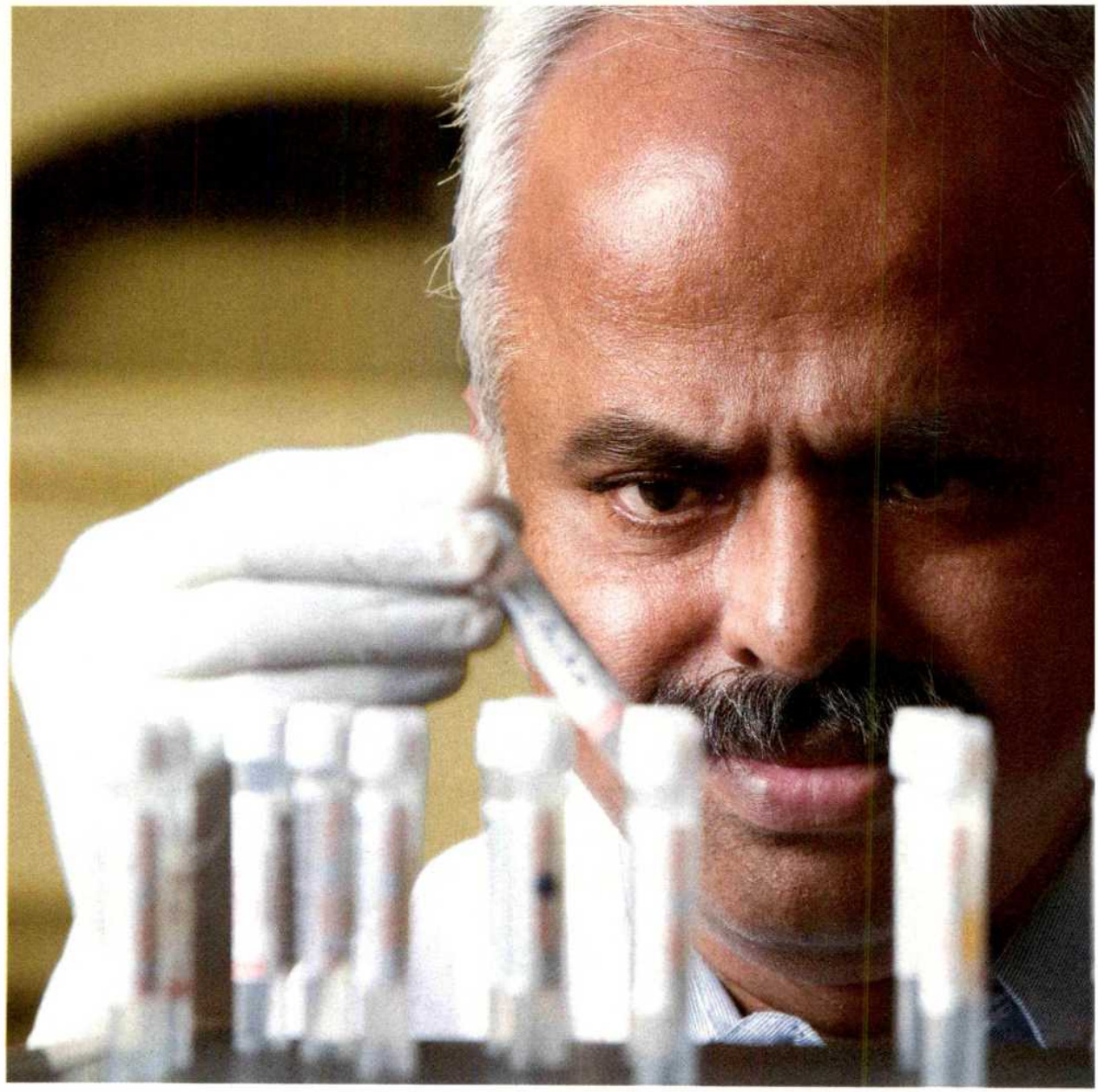
"Today, one out of three consumer loans is processed by us," says Sen.

In the same year, Sen also forayed into the fast-growing insurance sector where quarterly/half-yearly and annual payments are involved. "What's interesting is that we have also been able to bring down the lapse rate for our clients," says Sen.

A year later, TechProcess offered its skills to mutual funds for their SIP collections. Today, over two dozen asset management companies with more than 85 per cent of the assets under management have tied up with TechProcess. Sen is now looking beyond financial services; the aim is to spread into at least a dozen verticals. "We are studying other high transaction intensive industries like education and retail," he says.

When he began promoting electronic payments, cheques accounted for 88 per cent of transactions; today, the share is down to 70 per cent. "In many countries in the Western world especially in Europe, electronic transaction has a share of over 90 per cent," says Sen. ⊙

ANAND ADHIKARI



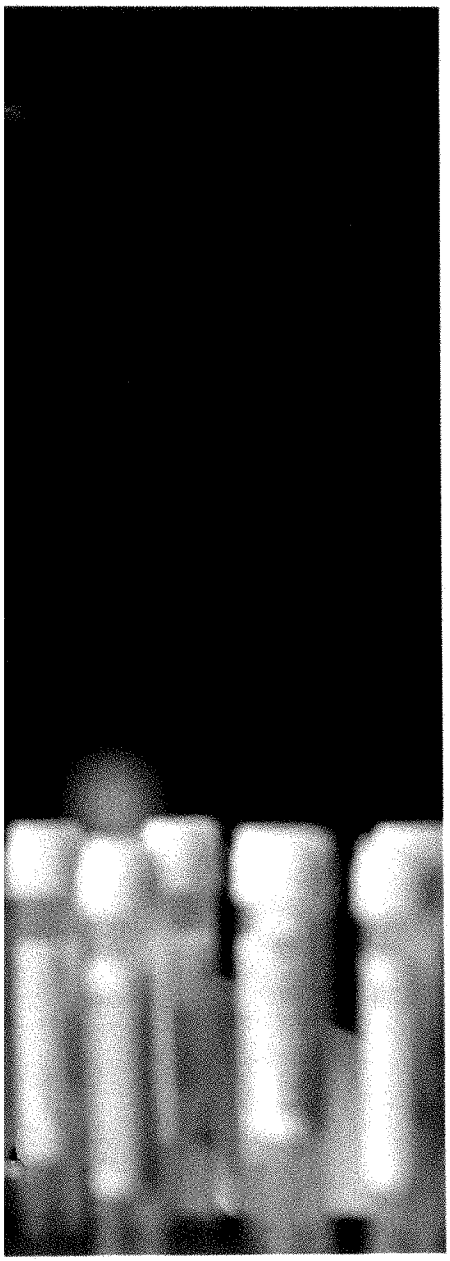
The job sucked. Well, it was not all that bad being a scientific officer at the Bhabha Atomic Research Centre's hospital and doing thyroid tests on blood samples. But Dr A. Velumani figured he could make more money setting up his own lab. So, it was that one day in 1995 he resigned and went home to unveil his plans to his wife.

A science graduate who had later done a Master's and doctoral thesis on the thyroid, Velumani had to fall back on his provident fund corpus, a princely Rs 95,000, to build the lab. With thyroid testing done mostly for women, it was logical to bung in tests for fertility, pregnancy, etc., once the lab's business stabilised.

Velumani's advantage lay in the fact that, in those days, thyroid tests needed radio isotopes and so were restricted to facilities like BARC, and he had developed an expertise in the field.

Today, Thyrocare Technologies, the company Velumani founded, is valued by outside investors at Rs 500 crore and has many private equity suitors thanks to the returns: a profit of Rs 30 crore on a turnover of just Rs 50 crore. But

Bl**dy Good Business



RACHIT GOSWAMI/www.indiatodayimages.com

THYROCARE TECHNOLOGIES

BUSINESS: Blood testing.

TURNOVER: Rs 50 crore

TURNING POINT: When it began air-freighting blood samples.

LESS-KNOWN FACT: Collects 12,000 blood samples a day from across the country.

LEADERSHIP POSITION: Nearest competitor does half in terms of volumes in this segment.

"I had no big dream, no business model when I started. Some ideas came later and the environment helped"

Dr A. Velumani, Founder, Thyrocare

Velumani is not in a hurry to borrow or take PE partners.

When he started his lab in 1995, there were 3,000 competitors in the testing field. To gain market leadership, he began by expanding his network of blood sample collection centres to towns around Mumbai, and then went further afield by getting samples airlifted to his lab. In fact, he carried the first such sample in 1998 on a flight from Chennai to Mumbai.

By its sixth year, Thyrocare Technologies had partners in 300 cities across India connected by air, and broke even. Velumani found willing partners among small labs and hospitals and physicians not attached to any hospital. "Mine is a B2B business," he says.

His lab, on an average, does four to five tests for each blood sample. The tests are done overnight and the report e-mailed to the collection centre within 24 hours for most tests.

Things were different when it began: There were only 30 air locations, Jet Airways was the only private operator and Thyrocare had to pay Rs 600 to get one sample air-freighted. Even the courier industry was not mature, and STD calls cost Rs 90 for two minutes. Today, consignment costs are down to Rs 150 each, and STD rates are negligible and even reagent and chemical prices are down.

A couple of years ago he moved into a new facility in Navi Mumbai, which can analyse 50,000 samples a day. His next plan is to implement in-vivo diagnostics only for CT and MRI scans, beginning with 10 cities and roping in an investor.

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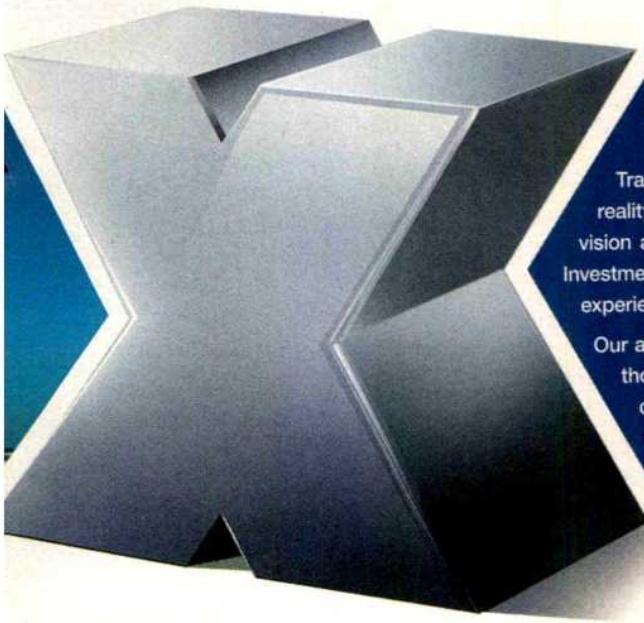

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The Middle Kingdom

The ones we did not profile. But they also have fire in their belly.

Dolphin Offshore Enterprises
PROMOTER: **Kripal Singh**
SIZE: Rs 352.5 crore
HIDDEN LEADER BECAUSE: India's first and leader in providing diving and underwater engineering services for oil and gas sector.

Hatsun Agro Product
PROMOTER: **R.G. Chandramogan**
SIZE: Rs 1,013 crore
HIDDEN LEADER BECAUSE: Encouraged farmers to take up dairying for captive source of milk supply; acquired dairies where it did not have its own presence.

IndiaInfoline
PROMOTER: **Nirmal Jain**
SIZE: Rs 966 crore
HIDDEN LEADER BECAUSE: Started as a content company but IndiaInfoline is today a full-fledged financial powerhouse offering various financial solutions.

IndiaMART.com
PROMOTER: **Dinesh Agarwal**
SIZE: Rs 53 crore
HIDDEN LEADER BECAUSE: Is the largest online B2B platform connecting buyers with suppliers.

Lilliput Kidswear
PROMOTER: **Sanjiv Narula**
SIZE: NA
HIDDEN LEADER BECAUSE: Started with Rs 1 lakh and 25 sewing machines. Today, Lilliput brand is present across 210 stores in India and 18 stores in eight countries.

Mankind Pharma
PROMOTER: **R.C. Juneja**
SIZE: Rs 920 crore
HIDDEN LEADER BECAUSE: Among the top players in the pharma industry.

Nuziveedu Seeds
PROMOTER: **M Venkatramaiah**
Size: Rs 500 crore
HIDDEN LEADER BECAUSE: Dominates hybrid cotton seeds; to enter rice and corn seeds.

Pahwa Enterprises
PROMOTER: **Deepak Pahwa**
SIZE: Rs 300 crore
HIDDEN LEADER BECAUSE: Has a grip on air-engineering technologies and has factories around the globe.

Plethico Pharmaceuticals
PROMOTER: **Shashikant Patel**
SIZE: Rs 970 crore
HIDDEN LEADER BECAUSE: Grown from a humble over-the-counter player to being a herbal and nutraceutical major with a diversified international presence.

Relaxo Footwears
PROMOTERS: **M.L. Dua & R.K. Dua**
SIZE: Rs 409 crore
HIDDEN LEADER BECAUSE: Leads in hawai slippers; Competes with China to supply canvas shoes to Tesco and Wal-Mart.

Riddhi Siddhi Gluco Biols
PROMOTER: **Ganpatraj L. Chowdhary**
SIZE: Rs 534 crore
HIDDEN LEADER BECAUSE: Country's largest starch and starch derivatives manufacturer.

VIVAN MEHRA

Su-Kam
PROMOTER: **Kunwer Sachdev**
SIZE: Rs 400 crore
HIDDEN LEADER BECAUSE: By focussing on tech innovations, it created a strong brand in the unorganised sector of inverters.

Suguna Poultry
PROMOTERS: **B. Soundararajan and G.B. Sundararajan**
SIZE: Rs 2,030 crore
HIDDEN LEADER BECAUSE: By pioneering contract farming in poultry, Suguna has not only grown rapidly but has also created thousands of entrepreneurs.

Suminter India Organics
PROMOTER: **Sameer Mehra**
SIZE: NA
HIDDEN LEADER BECAUSE: Family business was wind energy, but he began as a supplier of organic cotton fibre, oilseeds, herbs and medicinal plants.

The Loot
PROMOTER: **Jay Gupta**
SIZE: Rs 67 crore
HIDDEN LEADER BECAUSE: Having expanded to 125 stores, this multi-brand discount chain is planning to add 80 stores by next year.

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ARVIND SINGHAL
CHAIRMAN, TECHNOPAK ADVISORS

A New Class of Entrepreneurs

India always had a very large proportion of self-employed in its working population, and even now, by some estimates, over 65 per cent of all adult Indians in the working age group are engaged in myriad self-employing vocations. India, of course, has also seen some extraordinary entrepreneurs in the last 100 years and more and the myriad businesses that they gave birth to continue to provide a very visible growth momentum to the economy. What is more interesting, however, is the phenomenon of an emerging "middle class" even in the context of entrepreneurship.

Until a generation ago, there were largely two "classes" of entrepreneurs in India. There were the mega (by the then Indian economy standards) entrepreneurs, which included major business houses such as Tata and Birla and a host of others, and the small & medium ones that owed their existence partly to the anachronistic policy of reserving thousands of articles of normal consumption for small-scale entrepreneurs. The big became bigger due to their ability to successfully compete for the licences as well as successfully seek public capital by way of equity and debt. The small started up under the umbrella of the Small Scale Industries (SSI) reservation policy but the same policy subsequently came in the way of their becoming medium-scale enterprises.

The new "middle class" entrepreneurs are, in many ways, more "genuine" entrepreneurs, since most of them are starting out in a field that is much more level than ever, and hence the competitive landscape for them is also much more challenging.

However, over the past 18 years, a host of factors has provided a very conducive environment for India's Gen Next entrepreneurs to venture into uncharted waters. These have included elimination of licensing and quotas, easier and more universal access to capital including risk capital, steady economic growth, increasing globalisation, profound changes in consumption not only in absolute terms but also in the consumption basket itself and increased spending by the Indian government in physical and social infrastructure. It is really exciting to know that many are succeeding, and this success will provide motivation to tens of thousands of others to start the next generation of entrepreneurial ventures in incredibly diverse sectors.

This new "middle class" of entrepreneurs is fundamentally different from their yesteryear counterparts. They are, in many ways, more "genuine" entrepreneurs, since most of them are starting out in a field that is much more level than ever, and hence the competitive landscape for them is also much more challenging. Further, the aspirations of most of this new breed of entrepreneurs go way beyond just achieving a comfortable living. They dream big, and while they may have respect for today's mega entrepreneurs—which include, beyond the Tata, Birla and Godrej families, the Ambanis, the Mittals, the Mahindras, the Ruias and the Munjals, among others—they are not overawed by them. Indeed, many who were till recently "middle class" entrepreneurs, such as Adani, GMR and GVK, have already joined the ranks of mega entrepreneurs and hundreds more will do so over the next decade. These Gen Next entrepreneurs are also far more tuned with the emerging needs of the Indian (and global) economy and hence are aggressively entering potentially more exciting sectors of the future such as agri and biotechnology, healthcare, education, green energy, consumer-oriented services such as travel & hospitality, food services, etc., setting themselves up to join the ranks of the mega entrepreneurs of the next decade. ⊙

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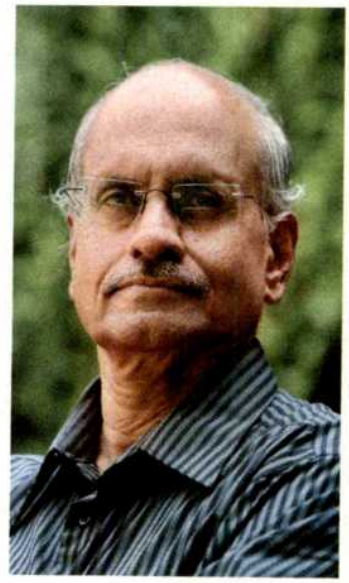
S. MANIKUTTY
PROFESSOR, INDIAN INSTITUTE OF MANAGEMENT, AHMEDABAD

What Sets These Entrepreneurs Apart

The economic reforms unleashed in 1991 in India marked a watershed in Indian entrepreneurship. A number of new entrepreneurial firms came into existence and took advantage of the new climate, the best known, perhaps, being Infosys. These were not extensions of the old family business houses, but were founded by a new breed of middle class entrepreneurs, who had no family connections, were not wealthy, and did not have a "business sense" in their blood. Most of them were, in fact, first generation entrepreneurs.

It may be noted that even during the Licence Raj, India had the presence of a large number of entrepreneurs. Small and Medium Enterprises (SMEs) accounted for more than half of the country's industrial production, but many of these depended on protectionist measures by the government such as reservation of items for the SME sector. As a result, they stayed small, and were uncompetitive. But post '80s, a new breed of entrepreneurs sought to hold their own and be competitive in their own niche, without depending on any special support. Not only did they succeed in creating a niche for themselves, but actually succeeded in driving out the vintage families from their businesses!



They have a hunger for running their own business; have a high tolerance for uncertainty; are unreasonable in their desire for change; and are consumed with a passion to do something for the society.

Most of these entrepreneurs were definitely not wealthy, which could act as a cushion should their venture fail. In our discussions with them, it was clear that they were not after money as such, nor even after the fame that would result if one day they should strike it big. Many of them had had good education, many were from prestigious B-schools, and all of them could have got well paying and secure jobs for the asking. Yet, they spurned these jobs and went after their dream.

The common factor binding this set of entrepreneurs was their spirit—a hunger for owning and running "their own business". This was based more on a passion than the outcome of a logical reasoning, almost a fanatical belief in their own idea.

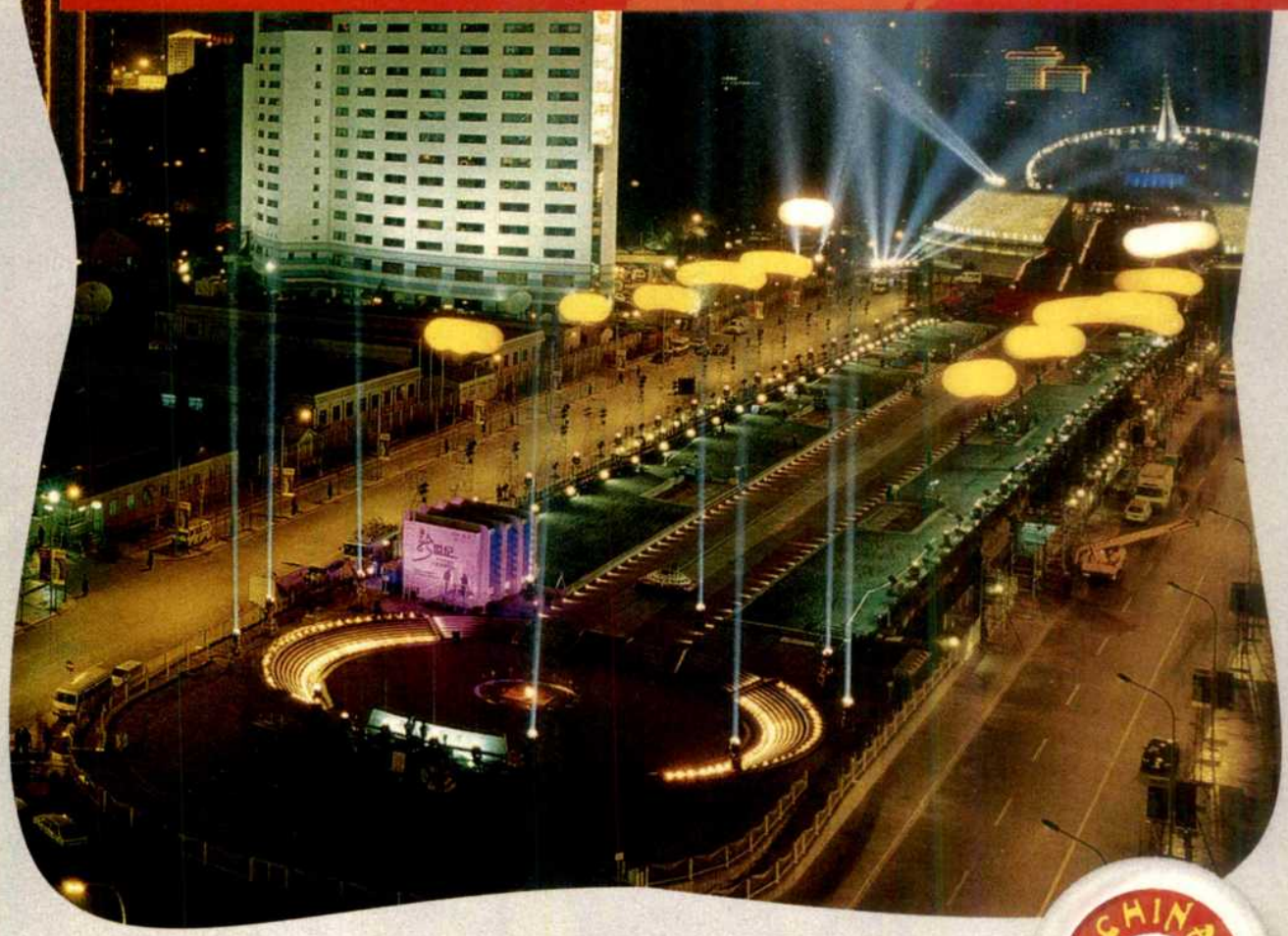
Second, these businesses were often the result of a new idea, in which they believed completely. These ideas sought to redefine the way business was run in that sector.

Third, they all had a high appetite for risk, with a high tolerance for uncertainty and ambiguity. They were fully aware of the risks involved in taking up an entrepreneurial course of life. Even in instances where the banks were reluctant to lend and venture capitalism had still not taken root, these entrepreneurs went ahead and took that critical step into the world of ruthless and predatory competition.

Fourth, they were unreasonable in their desire for change. In some cases, this also led to their being blind to the underlying problems of their businesses and an unwillingness to conform to stereotypes.

Lastly, many were consumed with a passion to do something for the country and society. They were the social entrepreneurs, and many turned to serving the disadvantaged and underserved sections by establishing non-government organisations. They forayed into new segments such as education, health, vocational and literacy training, low-cost medicines and so on. In this, they had to contend with the even greater uncertainties posed by vested groups that were interested in thwarting such attempts, mainly politicians. Clearly, it is this mindset that now rules and represents the face of our economy today. ⊙

Fly across the Himalayas and reach the mainstream of global business



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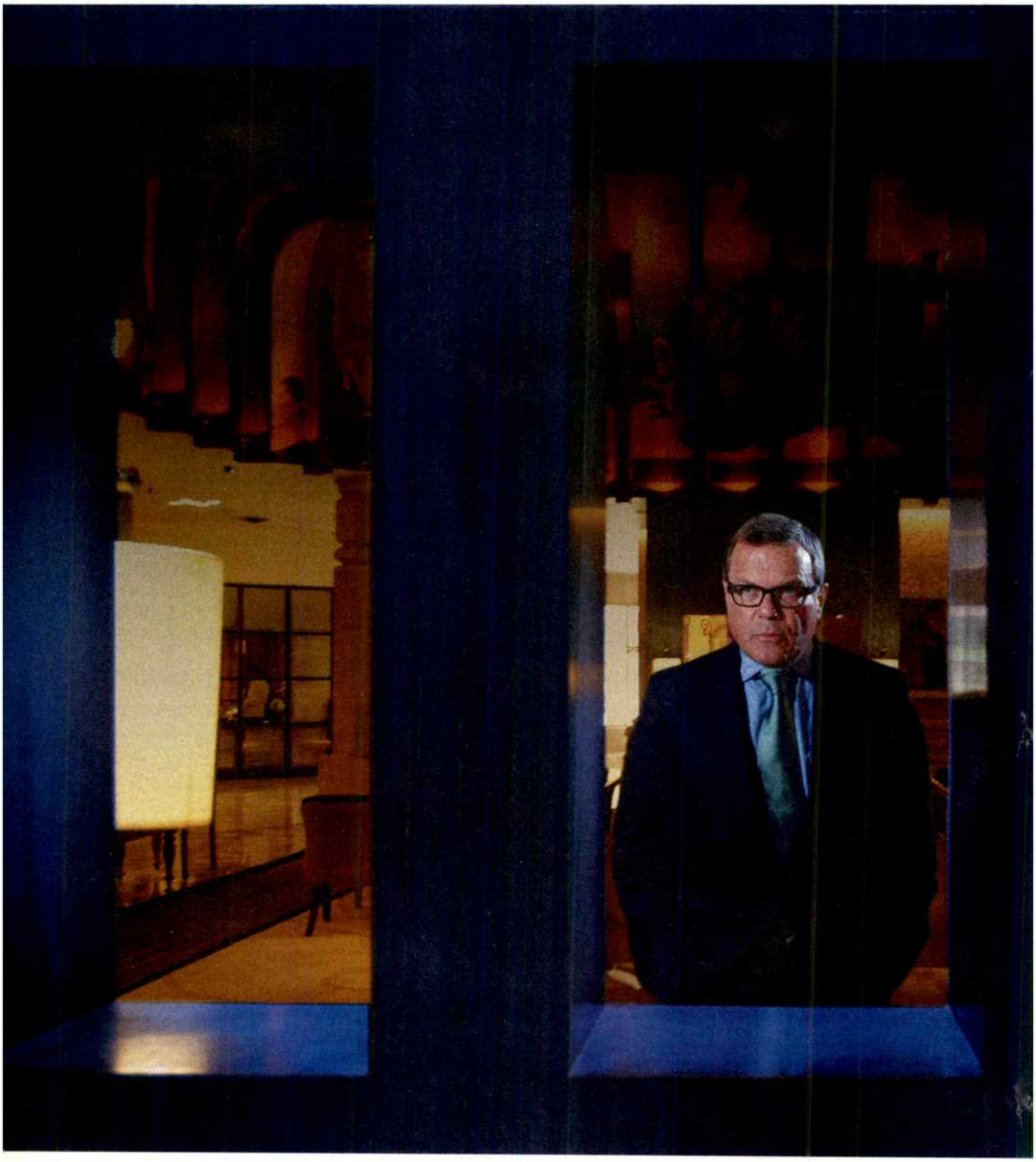


BRANDED"

Sir Martin Sorrell/ CEO/ WPP

SIR MARTIN SORRELL *is credited with unleashing the power of consolidation in an industry that hitherto had a smattering of large agencies working on their own steam. WPP, the world's largest communication company that he heads, owes its status to the calculated moves this financial wizard has made in acquiring strong media brands across the world and then making them part of his well-orchestrated system. During a recent visit to India, he took time out to speak with* **BUSINESS TODAY'S ROHIT SARAN** *and* **SHAMNI PANDE** *on issues as diverse as global business dynamics, new media and the challenges to old media. Excerpts of the interview:*

Given the downturn, what can a company do to maintain an effective advertising and communications strategy?

If I am advising a client who is pressed for budget, I would obviously look at areas that are attracting consumers and also those that offer value. Today, people are spending more than 20 per cent of their time online (of the total time spent on various media). Also, there's been a rapid growth of mobile telephony that takes a lot of our time and much can be done there, too. However, compared to this trend, most clients are only spending 12-13 per cent of their advertising budgets online, which, in my view, needs to be corrected. Along side, there is a situation today where the price of communication in old media is coming down, making it more attractive. The philosophy of airlines selling empty seats at the last moment at very low prices is coming to traditional media, too (catching the ads at the last minute before the press/TV deadline).

VIVAN MEHRA/www.indiatodayimages.com

Hence, clients today have many options and can take their pick of media. Given these trends, most media owners who are focussed on one media and one country, are a bit challenged today.

How will the downturn change advertising in general and WPP in particular?

Our strategy is built on three things: new markets (India is one), new media (Quasar is an example of our new media initiative in India) and consumer insights, which is also getting important in the Indian context. So, I am very optimistic about all WPP businesses in India. The recession has intensified all these three trends.

Interestingly, while old media is coming under pressure in older, more mature markets; it continues to flourish in India. But even as old media flourishes, new media will get into sharper focus. Conspicuous consumption will continue as a phenomenon, but it will be different in the short-to-medium term. There will be a desire on the part of companies to understand the impact of downturn on consumer behaviour, which is where the role of consumer insights comes in. We are placed in a very good position to tap into all these fronts with our presence in these areas.

What about media owners buying equity into their advertisers' businesses?

That's a very difficult model. The market will decide if this is sustainable. The answer to your question is: as long as people know about the separation of editorial and advertisement, as long as the reader knows that it's an advertorial, it's OK. However, the fact is that the boundaries between editorial and advertising are increasingly getting blurred. Although, because of this, media planning and buying will become very complex, which is good for us as we are well placed to understand this and offer clients solutions.

How is media business coping with changes in technology and emergence of global markets?

One is paranoid about one's business all the time. But for media owners, it is a much more difficult task than it is for agency owners or agency managers. If you are a one-media-one-country company, then you have placed your bets on one technology... so, it's much tougher as opposed to a Murdochian approach where you have a much more multifaceted business and spread. So, as a media owner, you have to diversify. Take the example of Latin American print companies that have tended to be one-company, print companies, ruled by families. Whereas in developed markets such as Germany, the media groups tend to make minimal stretches, may be due to control issues, and they tend to make acquisitions.

In India, the role of print media is very rich—there is an intellectual tradition and it will be harder to displace. However, it will happen, the question is when. Because of the diversity and size of the Indian market, it will take a longer time.

Do you think Google's auctioning method of advertising has had any impact?

Google is a lot more friendly now. We have a joint venture on search with them. Nikesh Arora (of Google) is trying to build relationships with the agencies. Well, they have enviable growth levels... Google auctioning is not totally transparent in the sense that many things are not clear to people, but a lot is changing with the possibility of a stronger Microsoft-Yahoo! front. Also, with the growth of social media, people's recommendations to one another are assuming great importance. Else, how do you explain the growth of Twitter, or Facebook.

IN A HIGH-PRESSURE, RECESSIONARY ENVIRONMENT, SWITCHING SPENDS FROM TRADITIONAL MEDIA TO TWITTER AND FACEBOOK IS AN ATTRACTIVE THING TO DO.

How does it challenge traditional advertising?

It does challenge traditional advertising. Though there are no clear answers yet. New media tends to be more promotional than tactical. But certainly in a high-pressure, recessionary environment, switching spends from traditional media to Twitter and Facebook... is an attractive thing to do today. But if this is the right thing to do over the long term, remains to be seen.

Is somebody at WPP already mining Twitter or Facebook to offer clients solutions?

Yes, it is happening. But, today, most of the stuff on the net is available for free and it remains to be seen if that model can be sustained as the advertising/revenue model is based on it. Also, when a certain media has overwhelming support, or strength, it tends to skew the market. Recently, James (Murdoch) noted that BBC has a market advantage

(it got £3.5 billion in annual public funding this January). Nothing against the BBC, they have built a fabulous online brand, but we want a very strong other media as well—along with a strong BBC. We are concerned about the balance in media. In that sense, people have welcomed the proposed Microsoft-Yahoo! merger.

Where would you place India in terms of its contribution to your overall revenues?

India is getting to $200 million, China is about twice that... so India is part of top 10 markets. But compared to the size of the market, India is still under-branded, it still has a long way to go.

How relevant is India in strategic and business terms for WPP?

India is very important with its over one billion people. We are in a very strong position, more by luck than good judgement, as we acquired JWT (in 1985) and Ogilvy (in 1987-89). Both companies had strong positions in Asia, which will continue to be the case. Intellectually, advertising has played a big role here. Chairman Ogilvy always liked to come to India—he did not fly, but liked to take a boat to this place. His books have been very popular here and translated into many dialects. We have always been bigger than our competitors in India.

WPP is at the #1 spot, but there's been a drop in your earnings. How do you view your performance?

We have had a very tough first half. We went from flat revenues last year to minus 5.8 and minus 10.5 in the second quarter. These are not numbers to be proud of. But we think the second half will be better.

Over the last few years, all the US-based communication groups, including OMD, have started to consolidate their presence in India. Is that a threat to you?

Without wanting to be too aggressive about it, I don't think the America-based companies travel particularly well—I don't think culturally, it is part of their DNA. I don't think they enjoy travelling beyond their borders. Can't blame them as they deal with homogenous markets, unlike the Europe-based groups, which get it much, much better and that's because of circumstances as they operate in a relatively heterogeneous market.

But the competition seems to be impacting you. Vodafone and Nokia have moved out of your group...

Nokia moved out due to pricing pressure. Vodafone, they were going to incumbent agency in other markets...

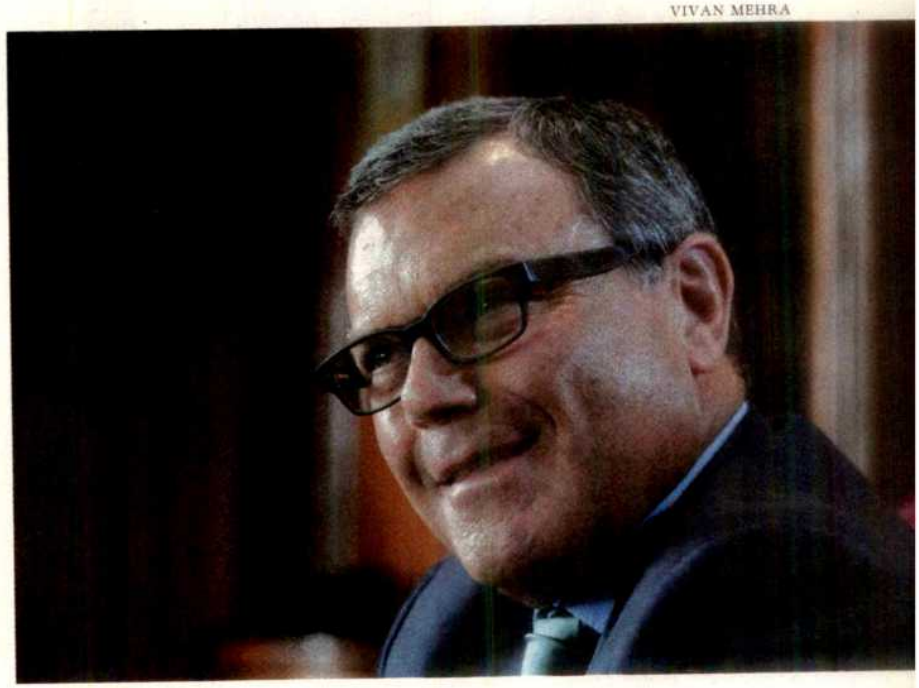
What do you think about the success of IPL?

Well, I am on the board of Formula One, and I hope that matures here as well. Three things would remain big in India: Movies, news and live sports. Of these, the spends on live sports have consistently grown, and IPL is going to get more important in time.

What's your view on the growth in India and elsewhere?

People here are used to a higher growth level so, even a GDP growth of 6 per cent seems less—though, I think, it's pretty good. In the UK, we will settle for this—we'd settle for even a minus six (laughs)... ⊙

VIVAN MEHRA



I DON'T THINK US-BASED (ADVERTISING) COMPANIES ENJOY TRAVELLING BEYOND THEIR BORDERS. CULTURALLY, IT IS NOT PART OF THEIR DNA.

GETTING MORE Direct

Direct selling companies are embracing new channels of marketing and sales for enhanced credibility and higher growth. N. MADHAVAN

Direct selling means the marketing of consumer products/services directly to the consumers generally in their homes or homes of others, at their workplace and other places away from permanent retail locations, usually through explanation or demonstration of the products by a direct seller

Indian Direct Selling Association

This definition may well need a tweak if the recent measures of William S. Pinckney, Managing Director and CEO, Amway India and some of his colleagues in the Indian direct selling industry are any indication. Estimated at Rs 3,300 crore (2008-09) and employing about 1.6 million distributors, the Indian direct selling industry is abandoning the traditionally unique elements of direct selling—not having a fixed retail location and publicity through word of mouth—in favour of retail infrastructure and a steady increase in advertisements both in print and electronic media.

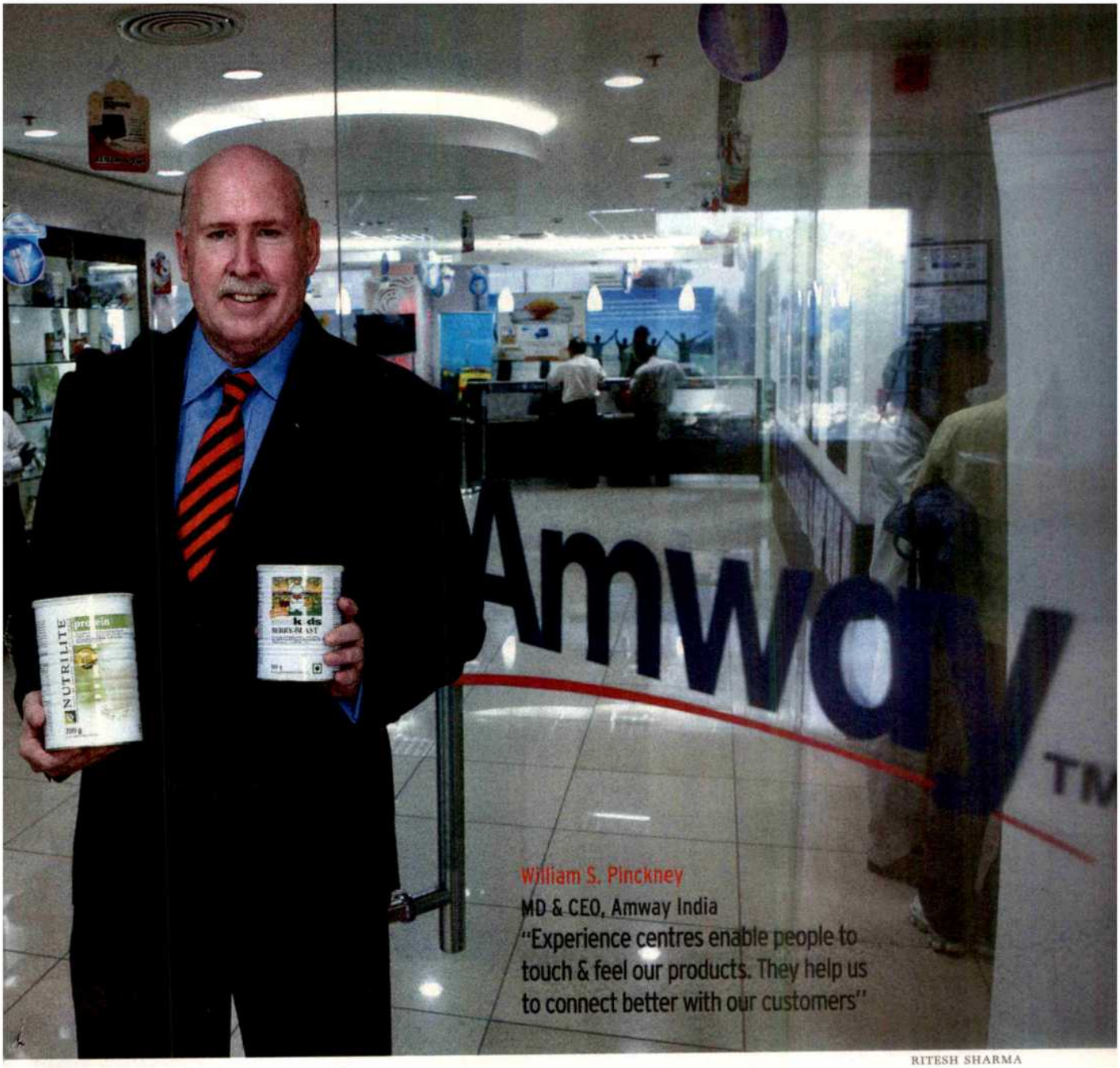
Amway, the largest direct seller in India with Rs 1,128 crore revenues (2008), is leading the change. It has already set up five experience centres—one each in Bangalore, Pune, Kolkata, Delhi and Chennai. It will add 10 more in the next 12 months and over time upgrade all its 50 full-service centres across the country into experience centres. Swedish cosmetics seller Oriflame's flagship experience centre is located at Connaught Place in New Delhi and it plans to set up similar facilities across all its 12 branches in the country. The premium food storage major Tupperware prefers makeshift access points in traditional malls and market places across the country.

NEW CHANNELS

- **Direct marketing firms are opening retail outlets (experience centres), advertising in a big way.**
- **The purpose is to add credibility and visibility to the existing direct selling channel.**
- **Advertisements supplement word-of-mouth publicity, enlarging the customer reach.**
- **Direct sales, if any, from the retail stores are being routed through a distributor.**

Brick and Mortar

"The experience centres enable people to touch and feel our products.



RITESH SHARMA

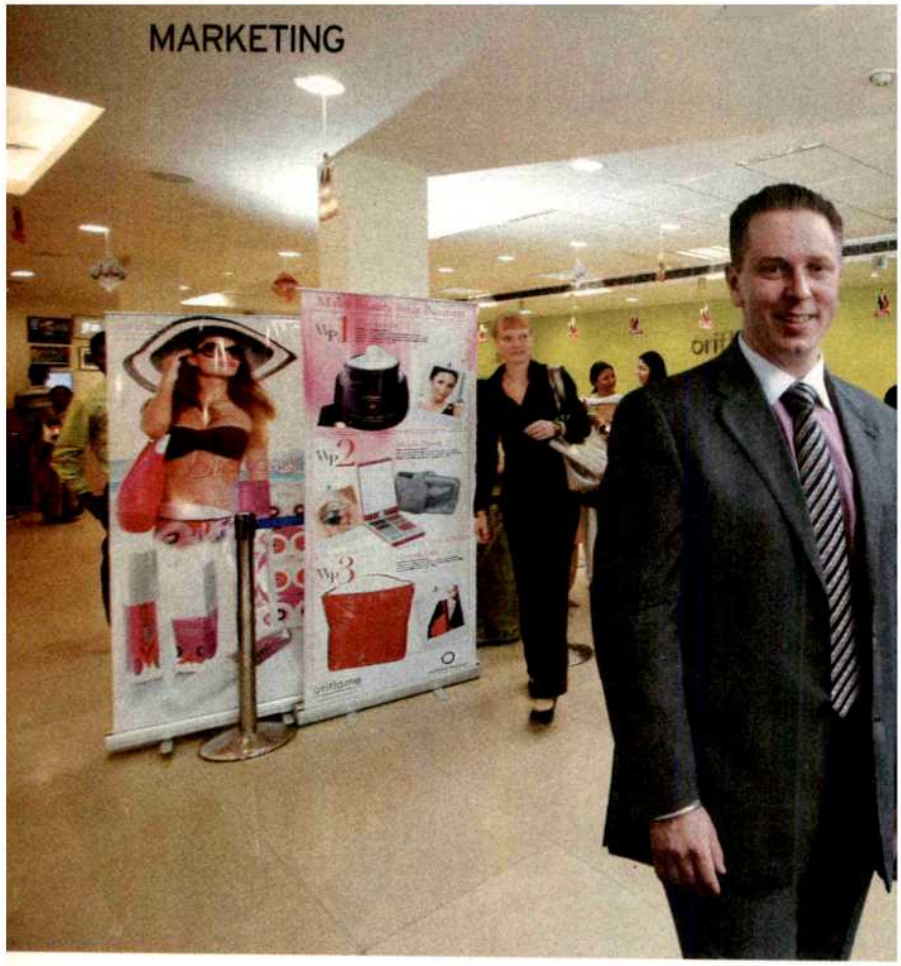
Dieticians are at hand, for instance, to check the body mass index, metabolism rate and suggest lifestyle changes. We can also do skin elasticity and wrinkle tests and suggest remedies, if need be. In a way, these centres help us to connect a lot better with our customers," explains Pinckney.

Customers visiting these experience centres can buy the products as in any retail store but the significant difference is that the sale will be routed through a distributor in line with the principles of direct selling. "Ours is very much a people-to-people business. It is our distributors who sell to the customers. If we compete with them, it will go against the very grain of direct selling," says Fredrik Widell, MD, Oriflame India, and Chairman, Indian Direct Selling Association (IDSA).

According to Asha Gupta, MD, Tupperware India, this is a recent shift. "For many years we practised direct selling in its purest form. Distributors were the only point of contact with our end customers both for promoting the products and executing the sales. There was very little focus on brand building outside of the direct selling route. Today there is a clear need to reinforce the word of mouth publicity through independent efforts by the companies," she says. In fact, no sale happens at Tupperware's access points. They help people touch and feel the products, know where they are available and who the nearest distributor is. They are more like lead generation points.

Brand Cover

Traditionally, direct selling companies do not advertise as their products are sold personally by the distributors.



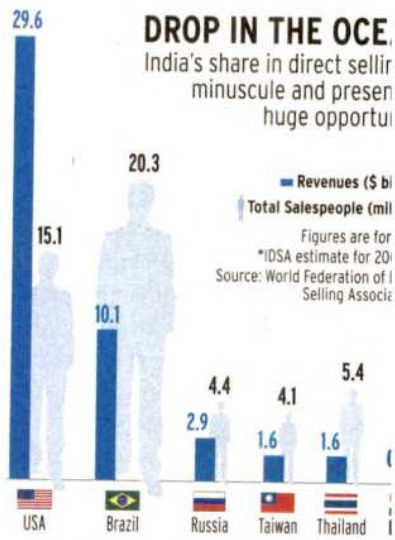
Fredrik Widell, MD, Oriflame and Chairman, IDSA

"If we compete with our distributors, it will go against t

Brand recall, they always maintained, was for those products that have to be pulled off the shelves in department stores. But the recent spurt in advertisements—be it Amway's TV commercial, Tupperware's contests on FM radio or Oriflame's product promotion in fashion magazines—has turned their earlier stand on its head.

"The advertising we do is not a replacement but is in addition to word-of-mouth publicity. Also, its purpose is not to generate demand but to create awareness and interest. Earlier, our product promotions were limited to the number of people our distributors could talk to. We now want to reach more people. Advertising will help distributors expand their business and service more customers," says Pinckney. He adds that direct selling companies will never spend the kind of money that main line FMCG players spend on advertisements and word of mou will be the main form of advertisin Amway, which spent almost nothir on advertising five years ago, has bu geted Rs 15 crore this year.

Says Gupta, "Advertising helps u



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THE ECONOMIC TIMES

7th March, '09: New Delhi: IIPM has managed to place 1442 students from its campuses across the country in 400 companies... last year , of the 2600 students, 1600 had got offers by this time... In 2008 , while **IIPM had the second highest international placements (165) among the B-Schools in India, its Delhi campus boasted of the highest (125) no. of International placements as a single institute...**

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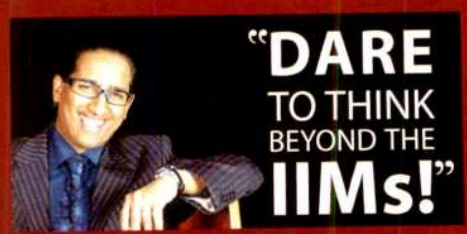

IIPM

INDIA'S GLOBAL B-SCHOO

MULTI-CHANNEL MARKETING

Direct selling companies had no brick-and-mortar presence. Distributors were the sole point of contact with customers and advertising was through word of mouth.

Direct selling companies reach out to customers through brick-and-mortar experience centres, temporary kiosks in malls, the Internet and advertisements, apart from the distributors.

a direct selling company that captured the imagination of the people with its domestic fire extinguisher product 'Ceasefire' in the early '90s. It lost a lot of opportunity when people did not know where to buy the product.

Adds T.N. Swaminathan, Associate Professor-Marketing, Great Lakes Institute of Management: "With growth in product line and also increased geographic penetration, you need to effectively supplement direct selling efforts by creating awareness, conveying information and imagery through selected use of traditional communication methods, especially when you sell premium products."

Credible Growth

Need for greater credibility and a faster pace of growth seem to be the underlying reason for this change. The direct selling model in India has been repeatedly misunderstood as a pyramid scheme—so much so that IDSA has chosen "to make direct selling the most respected in India" as its vision. "The experience centres give people a sense of comfort. They get a feeling of the company having a serious presence. Distributors feel reassured. The advertisements and resulting brand recall help people recognise direct selling as a legitimate channel," explains Pinckney. Adds Jha: "If you are visible and if your visibility is authentic, that gives credibility."

Though the impact of these changes on the credibility of direct selling model is unclear, its effect on sales has been positive. "We have witnessed at least a 5 to 10 per cent growth on account of these changes in the last six months," says a beaming Pinckney.

Direct selling companies have been posting a scorching pace of growth. Amway grew by over 25 per cent in 2008 and hopes to maintain the pace over the next few years. Oriflame tripled its revenues in the last four years and hopes to do so again in the next four. For Tupperware, 2008 saw a 40 per cent jump in sales and it foresees 2009 as its best year yet.

Nevertheless, the industry, at $690 million (Rs 3,300 crore), is a fraction of the global pie estimated at $114 billion (2008). Also, Thailand and Taiwan, with just two per cent of India's population, have sales of over $1.6 billion through direct selling. The industry has set Rs 5,000 crore sales and 2.7 million distributors by 2012 as its target.

Are these changes the beginning of a radical shift in the model? Will the direct selling companies start selling directly? Responds Gupta: "We will do potentially everything to avoid channel conflict. It is *hara kiri*."⊙

Touch & feel: A Tupperware kiosk at a Bangalore mall sees brisk activity

COMMENTS & FEEDBACK AT
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MERCHANT OF POWER

Naveen Jindal has propelled his steel and power company into India's—and the world's—most profitable power producers by focussing on the wildly lucrative merchant power business. Will his competitors stop his dream run? RISHI JOSHI

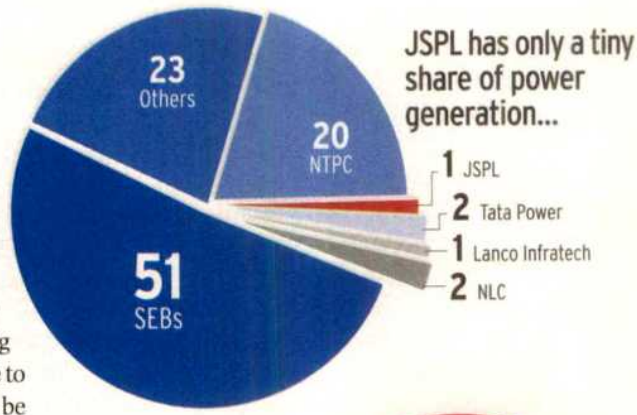
VIVAN MEHRA/www.indiatodayimages.com

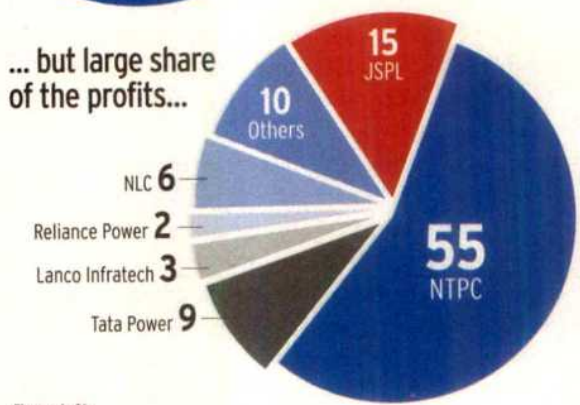
On a hot and muggy Tuesday evening, 39-year-old industrialist Naveen Jindal greets us at the company headquarters at Delhi's Bhikaji Cama Place. Jindal is already well known as a Member of Parliament from Kurukshetra, as a national champion shooter and for winning a Supreme Court case filed against him for flying the Indian flag atop his company headquarters. He can add one more badge to his list of accomplishments: Power baron. "Please don't be surprised with our group's success in power," he tells us. "I have personally spearheaded our power initiatives and today both steel and power businesses are equally important for us."

Jindal Steel and Power Ltd (JSPL)—of which Jindal is the Managing Director—has had an astonishing rise from being a low-cost manufacturing of steel and sponge iron to one of the main contenders in the high stakes game of power generation in India. Moreover, the company, through a series of savvy decisions—and a little bit of luck—has managed to rake in huge profits and posted a Return on Equity (ROE) that has left even global power players like AES behind in a cloud of coal dust (see charts). It has managed to accomplish all of this by becoming a pioneer in an emerging—and perhaps, the most profitable—segment in the power businesses today: Merchant Power, a sector which eschews Power Purchasing Agreements (PPAS) for the opportunity to flog units of power in the open market at higher prices.

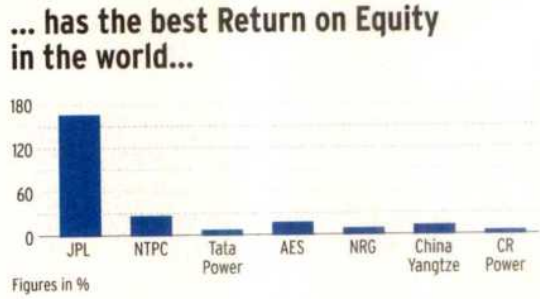
Jindal's rise to the top of the power industry heap started off more innocuously, with the company selling excess power from its captive units in the short-term market. By 2007-08, after selling almost 100 MW from these units, realisation dawned. "There were two reasons why I felt that we should expand operations in power generation," says Jindal. "For one, India has an acute power shortage. Then, even for our steel plants, our power requirements would gradually increase as we expanded our manufacturing facilities," he adds. Jindal's core team set about chalking up a blueprint for its power foray. In 2002, JSPL decided to build a 1,000-MW plant through its 100 per cent subsidiary Jindal Power Ltd (JPL) in Raigarh district of Chattisgarh—India's first mega power project in the private sector.

One of the big reasons that JSPL has achieved phenomenal success is due to its dogged adherence to cost cutting. First, JSPL planned to construct its plant on a non-engineering, procurement and construction (EPC) format—most companies prefer an EPC arrangement, where an outsourced contractor designs and constructs the plant. Instead, JSPL decided to execute the project on its own. Says Sushil Maroo, Deputy MD, JSPL: "We wanted costs to be very low and, therefore, did not appoint an EPC contractor. Since





Figures in %
Source: Deutsche Bank, Ministry of Power, Bloomberg, Company data



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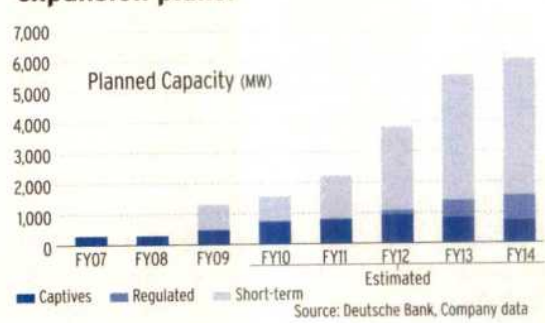

Source: Deutsche Bank, Company data

KULDEEP

we did have experience in executing small power projects, we decided to go ahead on our own." This move alone helped the company shave 3-4 per cent off the project cost, or around Rs 100 crore. JSPL also decided not to appoint any operations and maintenance contractors in order to reduce the running costs of the plant, using its own team instead. Doing so resulted in a savings of 8-10 paise per unit of power, which translated into an annual savings of over Rs 60 crore. Another crucial move: setting up its own coal mines, which the Chattisgarh government helped it to do by allotting the firm coal blocks for the project in compliance with the state's industrial policy. The company is likely to cut down its cost of coal by 30 per cent—or Rs 150 crore annually—due to its captive mines.

Perhaps, the most prescient of moves was its decision to operate the Rs 4,500-crore Raigarh plant on a merchant basis. This meant not entering into any long-term PPAs with state-run grids and instead operating as a merchant power plant, which generates electricity to sell in the open market. Clearly, JSPL had already cast a canny eye at the Electricity Act 2003, which delicensed generation and encouraged captive and merchant power plants. Jindal and his team were banking on short-term tariffs remaining much above the competitive tariff levels largely due to a significant fluctuation in the power demand during the day as well as across the year in India, a nation plagued by a peak power deficit of 12 per cent and an energy deficit of 9 per cent.

The timing of the Raigarh plant couldn't have been more fortuitous. Around that time, there was a sudden spurt in the demand for power. As power-starved areas in India practically begged for relief, JSPL was able to satiate the shortfall by selling power to State Electricity Boards (SEBs) of Punjab, Haryana, Rajasthan and Maharashtra at about Rs 7 per unit versus the regulated price of about Rs 3. Not surprisingly, JSPL posted sensational numbers in its first year of operation alone: the firm reported net income of Rs 1,581 crore out of revenues of Rs 3,257 crore and a stratospheric ROE of 166 per cent—outstripping global industry veterans such as AES. Not surprisingly, while share of the power division in sales increased from 11 per cent in FY08 to 35 per cent in FY09, its profit contribution rose from 19 per cent in FY08 to a whopping 53 per cent.

JSPL's power party, however, may soon be under threat by a host of industry players, who have watched from the sidelines till now but will soon dive into the fray in a big way. Capacity additions by a herd of large developers—including NTPC, Tata Power, Lanco Infratech, Reliance Power, Adani Power, amongst others—is expected to ramp up merchant (short-term power) capacities from 4 GW (1 GW=1,000 MW) currently to 11 GW by FY12 and 30 GW by FY17. Further, cement, aluminium and free alloy companies are diverting their surplus power or reducing their normal output to sell power in the spot market. This could impact Jindal. Says Ram Modi, an analyst with Dolat Capital: "More supplies will inevitably mean a correction of rates." However, considering the mammoth demand for power in India, the hit may not be so significant.

Bolstered, no doubt, by India's perennial power shortage, JSPL is implementing a five-fold jump in its installed generation capacity from 1,333 MW in FY09 to 6,100 MW by FY14. Also in the works: a brownfield expansion of 2,400 MW at its Raipur plant costing Rs 12,000 crore, of which Rs 3,600 crore will come from the firm's internal accruals. The company has signed a memorandum of understanding with the governments of Chattisgarh and Jharkhand for over 2,500 MW projects. JSPL also has aggressive plans in hydropower with projects ranging from 100-1,000 MW in Nepal, Himachal Pradesh and Arunachal Pradesh. Plus, the company is eyeing the renewable energy space by asking the Rajasthan government for a go-ahead to build a 500- MW solar farm. It is widely believed that Jindal's success has pushed the company to consider an IPO sometime soon.

Still, JSPL needs to watch its flanks. Some think that the high proportion of merchant power in its portfolio may make it difficult to supply power from its plant due to transmission capacity constraints of the PowerGrid Corporation of India, thereby upending its lucrative business model. Says Raaj Kumar, CEO, GMR Energy: "The PowerGrid bases its transmission capacity on long-term PPAs and a model almost entirely based on merchant power may not be viable." JSPL, though, doesn't anticipate problems. "We are on the western grid where there is already high power demand," says Maroo. Then, there is the ominous spectre of regulators placing a cap on spot realisations, an area already under regulatory scrutiny. Says Prasad Baji, an analyst with Edelweiss Securities: "Cost of power for consumers in India is among the highest in the world. Political parties are voicing their concern now and this might mean a cap on merchant power prices."

Until then, JSPL is assured of posting the kind of numbers that will continue to make it the poster child—and the envy—of the industry. ⊙

JSPL'S RECIPE FOR HIGH MARGINS

- **Sells power** at spot prices of Rs 7 per unit vs industry average of Rs 3.
- **Avoid long-term Power** Purchase Agreements, which stipulate regulated prices.
- **Execute own projects** and operate own plants, resulting in large cost savings.
- **Own captive mines,** which provide cheap coal and eliminate supply chain headaches.

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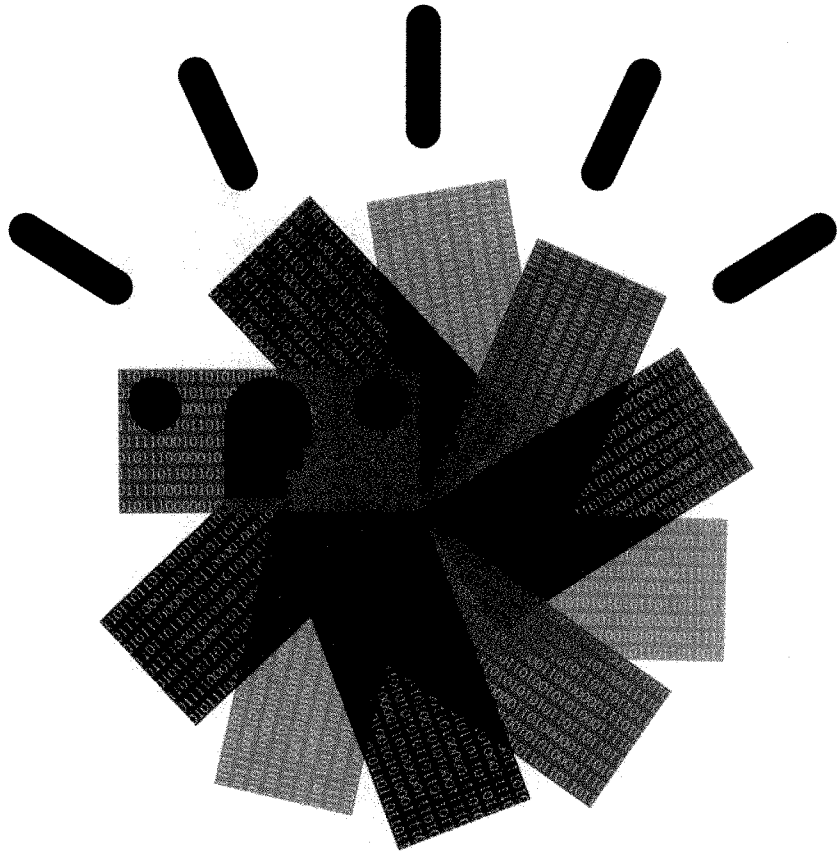

Money today has been reduced to zeros and ones. Most of the world's 'money' flows from a paycheck to a bank to a store and then, through the store's supply chain, only to be deposited in another business's account.

Without question, electronic money has helped the world's economy grow and prosper. This digitization has contributed to advances like ATMs, credit cards and online banking. The transformation happening underneath is far more profound. Unprecedented computing power and advanced analytics turn oceans of ones and zeros into insights, in real time. Which means we could have a safer, more transparent and intelligent financial system for a smarter planet.

We see many of these changes happening in India today. By embracing Information Technology, banks in India are today servicing customers better and making forays in previously untapped markets - like rural areas. Risk reduction, real time application of data and transparency are some of the benefits that the industry is enjoying today. IBM today remotely hosts and manages the entire IT infrastructures of small, co-operative banks like the Madhav Nagarik Sahakari Bank in Rajasthan and the Kurmanchal Bank in Uttarakhand. This enables the banks to provide services like Internet banking, mobile banking and ATM facilities to semi-urban and rural customers, expanding their reach to the most remote corners of the country.

We also see it happening at the level of national governments. The newly integrated information system for the Czech Republic Ministry of Finance, for instance, provides insights to help set monetary policy, and to handle state budget resources and public finance more efficiently.

We see it helping multiple interconnected institutions. The Operational Riskdata eXchange Association, a consortium of 52 leading financial institutions, uses data to help improve statistical modeling, accurately quantify risk exposure and address regulatory compliance needs.

These changes are exciting, but more are needed. Because the benefits of smarter finance are clear – for regulators, bankers, investors, companies and communities, rich and poor around the world, all of whose prosperity depends on a money system that is stable, secure and accessible to all.

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Will the IPO Party Fizzle Out?

Aggressive pricing and attractive alternatives—for both investors and promoters—to public issues may halt a primary market boom that's only just begun. VIRENDRA VERMA

Ashish Sinha (not his real name) is a seasoned stock market investor, who has many a time made, quite literally, a quick buck in the primary market. Recently, Sinha was at it again, when he applied for shares in the initial public offering (IPO) of public sector hydropower major NHPC by borrowing Rs 20 crore from L&T Finance. Sinha's game plan is simple: apply for IPOs and dump the stock once it gets listed, invariably at a higher price. Sinha managed to get an allotment of just 1 lakh shares of NHPC at Rs 36 per share; he had an additional cost of Rs 6 per share as interest payment on the borrowed funds. For Sinha, to make a tidy profit on listing, NHPC would have had to open at a substantial premium to the issue price. However, Sinha was in for a rude shock when NHPC did list at a price that was below his cost of acquisition. Result? Sinha lost some Rs 6 lakh after selling three-fourths of the shares allotted to him.

That setback hasn't deterred Sinha from the primary markets, but he seems to have learnt his lesson. He applied for the IPO of Oil India; only this time he didn't borrow. At the time of writing, the Oil India issue had just closed. Despite being oversubscribed over 30 times, market players aren't convinced of a turnaround in IPO returns. "The euphoria seems to be disappearing. Retail and high-net worth individuals did not show much interest in Oil India," says Arun Kejriwal, Director, KRIS Research, who also has a website *ak57.in* on the primary market.

Ever since the first IPO boom in the mid '90s, the primary

RACHIT GOSWAMI/www.indiatodayimages.com

markets have always been quick to piggyback on a rally in the secondary market. And this time, too, ever since the benchmark Sensex doubled from its bottom of 8,047 points six months ago, public issues have begun to come back in vogue. This time around, however, the party hasn't quite begun with a bang, even as some big names have come to Dalal Street—like NHPC and Adani Power, which have together raised close to Rs 10,000 crore. Whilst both NHPC and Adani Power were over-subscribed handsomely, the disappointment—which investors like Sinha had to face—was at listing. NHPC listed just Rs 3 higher (at Rs 39) and Adani Power Rs 5 higher (at Rs 105). Some smaller issues, like that of Edserv Softsystems, actually listed at a price lower than

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the offer price. That's in sharp contrast to the previous IPO boom of 2007, when companies like Edelweiss Capital and Mundra Port got listed at premiums of 75 per cent to their offer price.

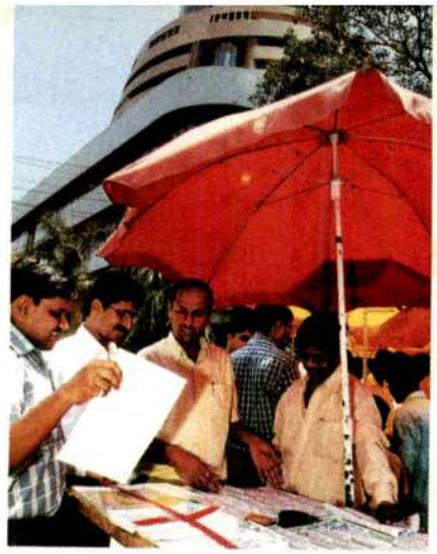
The problem this time around, reckon marketmen, is that promoters in tandem with merchant bankers may be pricing their issues a tad too aggressively. And that's threatening to take the wheels off the IPO bandwagon even as it's just only begun to roll. "There have hardly been any IPOs so far; a mere hype has been created. It is too early to say that there is a boom in the IPO market," says Prithvi Haldea, MD, Prime Database, an independent primary market monitoring firm. Indeed, with issues worth some Rs 7,000-8,000 crore in the pipeline, it's still early evening in the IPO party of 2009.

So, what explains the trend of high oversubscription numbers—NHPC, for instance, received applications worth Rs 1.42 lakh crore (as against the Rs 6,000 crore it eventually raised)—and muted listing returns? Ravi Kapoor, MD & Head (South Asia Capital Markets Origination), Citi, points out that a high oversubscription number is a good indicator of a high listing price, but it is not the only indicator. High costs of borrowing, for instance, can throw a spanner in that correlation. For instance, as Kapoor explains: "The NHPC IPO is trading below the issue price (Rs 34 at the time of writing as against the issue price of Rs 36) mainly due to the leveraging by some investors, whose cost of borrowing was around Rs 9 per share."

If listing prices have been disappointing, most of the IPO stocks—four of the six since May—have plunged below their issue price. Aggressive pricing—more with an eye on projected future growth than past performance—may be the culprit here. For instance, HDFC Securities was of the view that the Adani Power IPO was stiffly priced *vis-a-vis* established players in the power sector. A few other brokerages had similar views on NHPC and Mahindra Holiday Resorts. "In some cases, future growth was inbuilt (in the issue price)," says Sanjay Sinha, CEO, DBS Cholamandalam Mutual Fund. He adds that companies and merchant bankers should leave something on the table for investors. Globally, the norm for an IPO is to have a premium of 10-15 per cent to the issue price on listing.

Haldea begs to differ with the theory of aggressive pricing. He says IPOs are not sold; they have to be bought and the proof of acceptance of a price is in the oversubscription. Rather, Haldea says IPOs tend to get listed at a substantial premium only when the secondary market is in a bull run; and there is no convincing bull run at the moment. Others reckon that both investors and promoters have other attractive options for investing and fund raising—non-convertible debentures, for instance, for investors, and qualified institutional placements (QIPS) for promoters (see *The Other Avenues*).

So, will the long pipeline of IPOs over the next few quarters—at the time of writing Pipavav Shipyard and Godrej Properties were gearing up to raise Rs 600 crore each—actually materialise? Kapoor is counting on the revival in the secondary markets to bring retail investors back into IPOs. Adds Nikhil Gandhi, Chairman, Pipavav Shipyard: "I'm not concerned with the current state of the IPO market. Pipavav Shipyard is India's most modern shipyard and has the best facilities." He may have a good long-term story to tell, but for heavy-hitting investors who are looking for that quick buck on Day One, the fundamentals of his shipyard business are almost incidental. ⊙



The response has been encouraging...

IPO SIZE (Rs crore)		OVERSUBSCRIPTION (No. of times)
NHPC	6,038.55	23.61
Adani Power	3,016.5	18.11
Mahindra Holiday Resorts	278	9.06
Rishabdhev Technocable	29.7	8.93
Excel Infoways	48.17	2.49
Edserv Softsystems	23.84	1.2
Raj Oil Mills	114	1.16

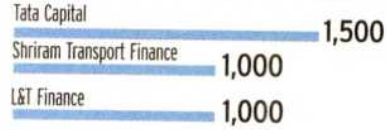
... but the returns have been mediocre.

Company	Issue price	Listing price	Current price*	%Gain/loss
NHPC	36	39	34	-5.6
Adani Power	100	105	102.45	2.5
Mahindra Holiday Resorts	300	315	329.4	9.8
Rishabdhev Technocable	33	42	16.7	-49.4
Excel Infoways	85	93.05	74.85	-11.9
Edserv Softsystems	60	55	114.25	90.4
Raj Oil Mills	120	125.5	82.9	-30.9

*Sept. 10, 2009 Prices in Rs/share
%Gain/loss on current price vs IPO price

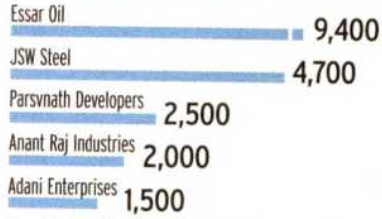
The Other Avenues

Whilst investors can opt for NCDs...



Figures in Rs crore indicate actual amount raised

... companies have the QIP window.



Figures in Rs crore indicate amount to be raised
Source: BSE, Prime Database

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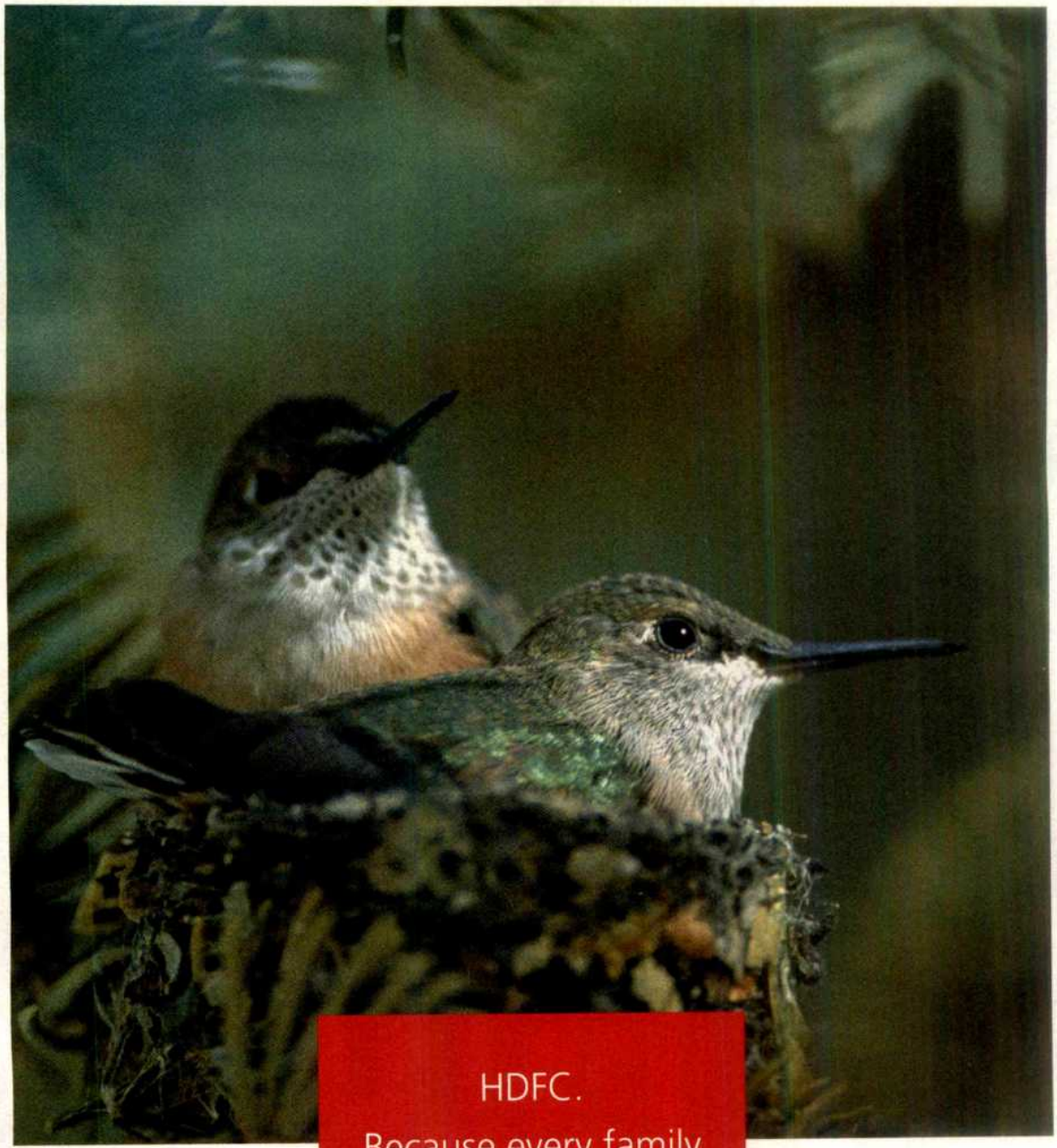

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Chairman-cum-Managing Director's Speech at the 51st Annual General Meeting held at Hyderabad on 29.08.2009

Dear Shareholders,

I have great pleasure in welcoming you all to the 51st Annual General Meeting of the Company and present to you the Annual Report of your Company for the financial year 2008-09.

The Directors' Report and the Audited Balance sheet of your Company for the period ended 31st March, 2009 have already been provided to all the shareholders of the Company. With your permission, I take them as read.

ECONOMIC SCENARIO-WORLD WIDE

The year in retrospect has been highly turbulent and challenging for the world economy. The unprecedented financial crisis, probably the worst since the Great Depression era, has shaken the foundations of some of the strongest economies in the world. It is heartening to note that the Governments across continents have responded with great speed and in rare unison through various stimulus packages. However, the path to recovery is expected to be long and arduous.

ECONOMIC SCENARIO-INDIAN

India has not been immune to this global upheaval and meltdown. Relatively, India has displayed resilient strength and character in sustaining decent growth rates, even though several sectors have been adversely impacted. Though there are signs of recovery, it is too early to predict signals of a full-fledged recovery.

The sharp surge in price of food grains, pulses, sugar, etc., in recent times, poor monsoon and constraints in infrastructure creation may affect the growth rate in the current financial year.

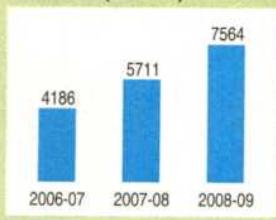
COMPANY'S PERFORMANCE

I am happy to share with you that despite a setback experienced in the financial year 2008-09 due to the global meltdown, the impact of which has not receded completely as yet, your Company has taken its achievements to higher levels.

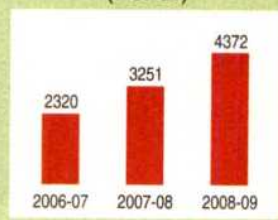
They are summarized as under:

- Turnover reached a new high of Rs. 7564 crore breaking the previous year's record of Rs. 5711 crore.
- Profit before tax shot up to Rs. 6648 crore, 34% higher than the previous year high of Rs. 4947 crore and the profit after tax increased to Rs. 4372 crore, 34% higher than the previous year high of Rs. 3251 crore.

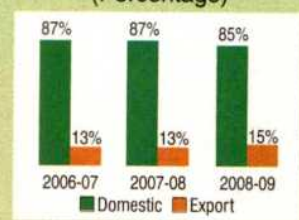
Turnover (Rs. Cr)



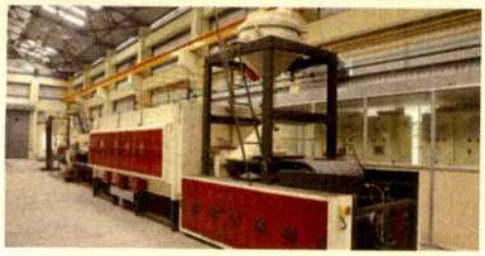
Profit After Tax (Rs. Cr)



Domestic Vs Export (Percentage)



Dividend (Rs. Cr)

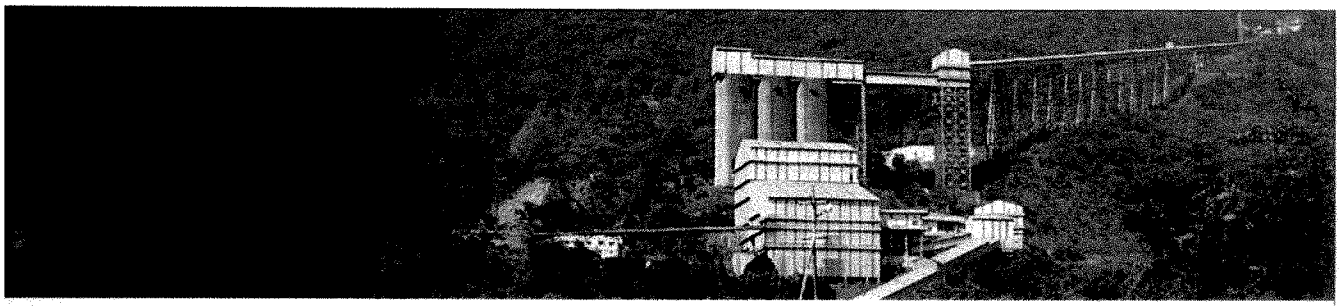


- Networth increased to Rs. 11615 crore as on 31-03-2009, 41% higher than Rs. 8265 crore of the corresponding date of the previous year.
- The Company's Board recommended a final dividend of 118%, i.e. 467.84 crore (subject to shareholders' approval) in addition to the interim dividend of 103%, i.e. Rs.408.36 crore already paid, totalling to 221%, i.e. Rs.876.20 crore, for the year 2008-09.
- As an MoU signing PSE with the Government of India, your Company's performance during the year qualifies for Excellent rating.
- The year saw your Company entering into new area-Wind Energy. Seven (7) Units of Wind Electricity Generators having a capacity of 1.5 MW each have been commissioned and generated 65.46 lakh KWH of power. The power is being transmitted to the grid of Karnataka Power Transmission Corporation Limited.

IRON ORE SALES

In respect of iron ore, the Company has achieved a physical turnover of 28.52 million tonnes, marginally lower than the last year's record turnover of 29.82 million tonnes. On the side of sales, the performance in the year 2008-09 has been 26.47 million tonnes as against 28.18 million tonnes in the previous year. Supply of Iron Ore to domestic industries recorded 225.98 lakh tonnes as against the previous year's supply of 244.06 lakh tonnes, recording a decrease of 7.41%. Total export of Iron Ore during the year was 38.74 lakh tonnes against 37.78 lakh tonnes in the previous year, an increase of 2.54%.

Production and sales were affected during second half of the year due to Global Economic Recession which commenced from October, 2008. Several measures by way of identifying new customers, tapping



spot market, special discount on certain products, etc., were some of the measures taken to tide over the situation.

In the year 2008-09, the spot iron ore prices in export market fell from the peak of around US$ 140/- per ton to around US$ 50/- per ton during the later part of the year. However, in view of improvement in world economy and demand picking up especially in China, iron ore prices presently show firming up to around US$ 80/- per ton.

NEW PROJECTS & BUSINESS DIVERSIFICATION

In order to achieve the Company's mission of achieving 50 million tonnes production by 2014-15, the construction of Deposit 11B mine at an expanded capacity of 7.0 million tonnes of ROM per annum has been taken on priority. To take care of the depleting reserves of Donimalai iron ore mine and augmenting production capacity, the construction of Kumaraswami mine with capacity of 7.0 MTPA has been envisaged. The entire project has been planned to be executed in 6 packages. Tendering activities of the packages are in progress. The existing infrastructure of Donimalai mines will be used in exploitation of Kumaraswami reserves in order to bring down cost of mining.

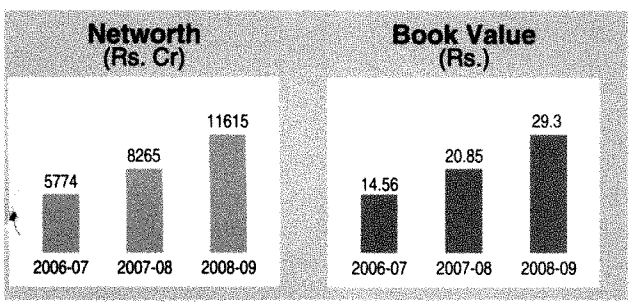
Your Company has formed a Joint Venture Company NMDC-CMDC Ltd with CMDC Ltd to develop Bailadila Deposit-13 as a stand alone project of 10 MTPA. Necessary clearances to execute the project are in the pipeline.

As you are aware, NMDC plans to set up a 3.0 MTPA Integrated Steel Plant (ISP) at Nagarnar, Chhattisgarh. In this regard, MoU has been signed between Govt. of Chhattisgarh and NMDC on 3.9.08. Action is on hand for speedy completion of the ISP.

Apart from the Steel Plant, NMDC also plans to set up two Pellet Plants: One at Bacheli with a 2 MTPA capacity and one at Donimalai with 1.2 MTPA capacity.

Merger of Sponge Iron India Ltd with NMDC is in advanced stage of completion. Upon merger, the Company is contemplating to expand the capacity of the plant at Paloncha, A.P from the current level of 60,000 tonnes per annum to 2,60,000 tonnes per annum. The sponge iron produced will be used to make steel.

I am happy to inform that in view of Hon'ble Supreme Court judgment, Madhya

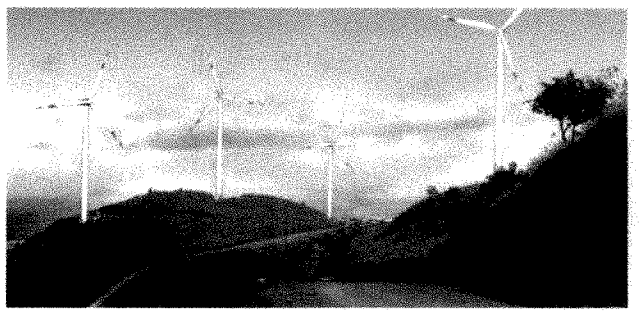


Pradesh State Authorities issued formal orders for re-starting the mining activities at Panna diamond mines. After being closed for 4 years, the re-opening of the mines has been done by Hon'ble Union Minister for Steel in the presence of Union Minister of State for Steel on 21-08-2009.

In the current economic scenario, India needs energy and fertilizers at a much higher level than it has now. Keeping this in mind, your Company is consciously planning to venture into coal sector. Your Company is one of the partners in the formation of a new Company by the name of International Coal Ventures Limited (ICVL). The acquisition of the coal properties in target countries such as Australia, Mozambique, Canada, Indonesia and USA are being pursued. Your Company has already signed an MoU with West Bengal Mineral Development and Trading Corporation Limited to develop 2 billion tonne coal blocks in W.B. Efforts are being made to acquire more coal blocks. Your Company is also trying to expand into power.

Your Company has already tied up with Rashtriya Chemicals and Fertilizers for acquiring Rock phosphate mines abroad. An MoU has been signed with M/s. Kopano KE Matala Investments (PTY) Ltd of South Africa for exploring and exploiting the mineral resources in the Republic of South Africa.

All the production plans of your Company, be it up-gradation of mines, development of new mines, setting up of Steel plant and pellet plants, new R&D projects, will be carried forward with utmost sincerity and speed.



CORPORATE SOCIAL RESPONSIBILITY

As a socially conscious corporate citizen, your Company is in the forefront in various CSR initiatives. NMDC believes that the well being of the society at large is an essential pre-requisite for the progress of its business and prosperity of the organization. With 'People' at heart in its philosophy and approach to CSR, NMDC is seeking to carry out meaningful work in the fields of Education, Health care, sustainable income generation and agricultural development, thus contributing to the nation building. CSR activities are mentioned in detail in the Directors' Report.

CORPORATE GOVERNANCE

A separate section on Corporate Governance forms part of the Directors' Report.

ENVIRONMENT MANAGEMENT

Your Company is conscious about environment management. The four major production projects, Bailadila Dep-14/11C, Dep-5, Donimalai and Diamond Project, Panna have been accredited with ISO 14001-2004 EMS by M/s DNV.

ROAD AHEAD

The distinct vision of the Company is to mould itself into a very large multi-faceted organization with mining being its core activity. NMDC would exist as a huge solar system which would radiate affluence, generate wealth and bring in prosperity in the lives of people who work for it. I recognize that the challenges could be enormous, but at NMDC, we believe in looking up to each summit with the will to get there. Your Company may face difficulties in the current financial year also, because the situation in the global economy continues to be volatile, which would demand more proactive efforts to realize the ambitious targets that have been set. I am sure, all of us would stand up to the situation and accept this as a challenge and be determined to meet the same.

ACKNOWLEDGEMENT

To conclude, I acknowledge that all these achievements have been possible only due to relentless and dedicated efforts, made by the employees of the Company. I sincerely appreciate the valuable contribution and cooperation extended by our employees to tide over the difficulties that the global crisis had thrust upon us. On behalf of the shareholders and management of the Company, I thank the Government of India, Ministry of Steel for the confidence and trust bestowed upon your Company and the opportunity given for its continued growth and expansion. I sincerely assure you that the Company will grow manifold in the times to come.

Thank you and Jai Hind

Place : Hyderabad
Date : 29.08.2009

Rana Som
Chairman-cum-Managing Director

NMDC Limited

(A Government of India Enterprise)
Regd. Office: "Khanij Bhavan", 10-3-311/A,
Castle Hills, Masab Tank, Hyderabad - 500 173.

Note: The above statement does not purport to be a record of the proceedings of the AGM of NMDC held on 29.08.2009 at Hyderabad

Harvard Business Review Exclusive

What Your LEADER Expects of You

And what you should expect in return

LARRY BOSSIDY

It's well understood that the relationships between a boss and his or her direct reports are important ones and figure strongly in the success of a team. Yet while much has been written about character traits and issues of openness and trust, the leadership literature has had strikingly little to say about what a leader should be able to expect from his people. Over the years, I've observed that certain behaviours, on the part of both the subordinate and the boss, are conducive to productive and rewarding relationships. Indeed, I'll favour someone who exhibits the behaviours I expect over someone who doesn't, even if the latter's numbers are slightly better, because I know the former has the potential to contribute more to the organisation over time.

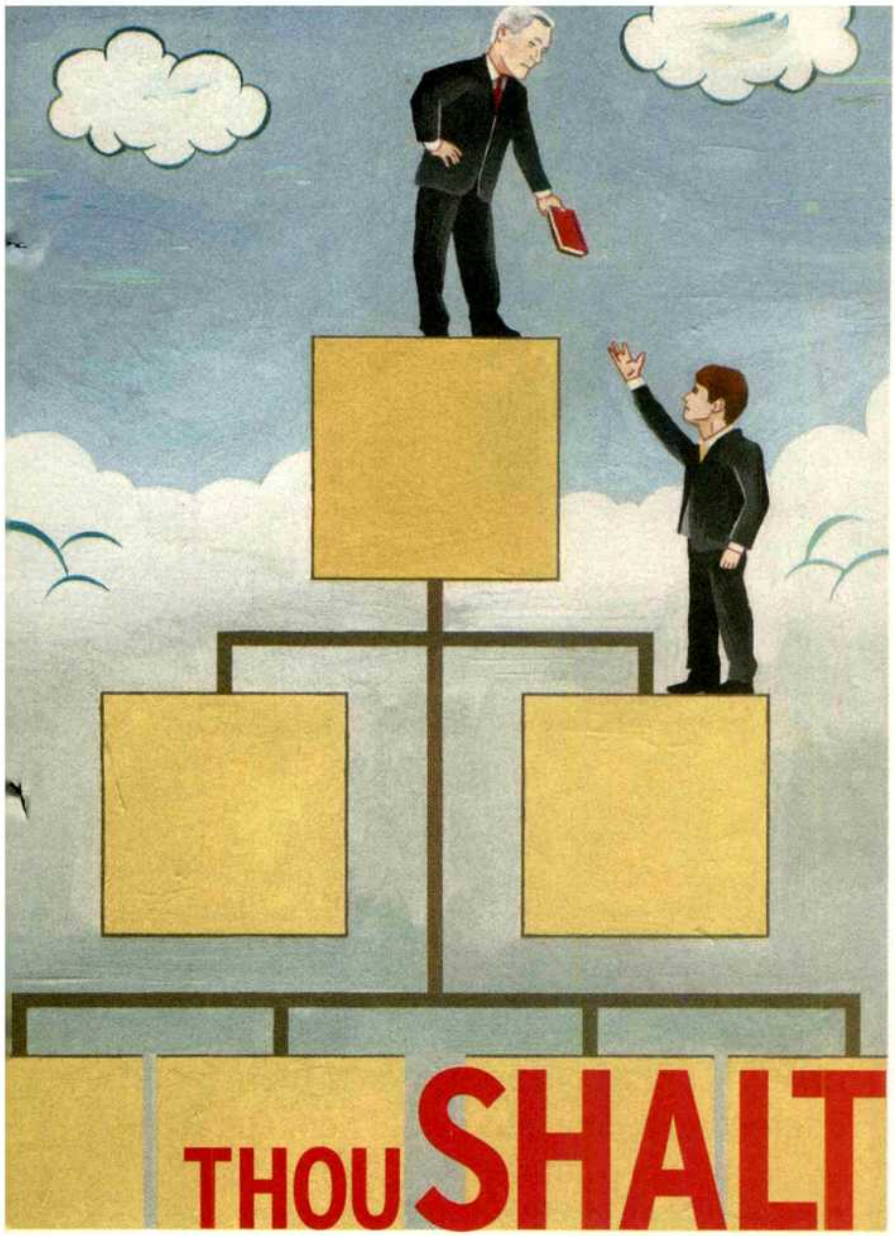
In sharing the lists below—what I've come to think of as the CEO compact, a set of expectations both from and for a leader—I hope that I can help other leaders and teams improve their relationships and, as a consequence, their performance.

What I Expect from My Direct Reports

The following behaviours are powerful individually, but taken together they drive performance and growth in a way that has a significant effect on long-term results.

Get involved. Good executives know how to delegate. But more important, they know when a situation calls for their immediate involvement, whether it's in redirecting resources to a product that's suddenly taking off in the market, helping to resolve a breakdown in quality, or visiting a plant to discover why its productivity has faltered. There's no excuse for not taking responsibility when you see a problem growing. I count on my reports to take the blame for things that go wrong and give credit for positive developments to their employees. And I expect them to have the courage to deliver bad news. If you've got to close a plant, go to the plant and tell those employees yourself.

While there are no hard-and-fast rules about when your involvement will have the most impact on the business (that's a judgment call), I've found that good managers generally step in under three types of circumstances: when somebody is falling



behind in her commitments; when important personnel matters arise, particularly if there is conflict; and in a crisis. Just because you're an executive vice president doesn't mean you don't have to work anymore.

Generate ideas. A common frustration in corporate America is a lack of ideas. A person who is innovative and creative is a pearl to be treasured. Unfortunately, idea people are not generally applauded in organisations. They're frequently at the periphery, because people think they're off the wall. But I want to hear what they have to say; it's my job to sift through ideas and decide which ones have merit. Often the best ideas sound crazy at first. For instance, when I got to AlliedSignal, people were very dispirited by the company's lagging performance, and I was looking for a way to raise morale. Somebody suggested that we hire a band, put out hamburgers and hot dogs at midday, and make lots of noise, so the employees would feel there was a reason for optimism. A lot of people said it was corny and wouldn't work—but it did, and it became an annual event. Another example: When sales of a particular liquid we offered declined, one manager proposed we paint the canisters bright colours instead of the industrial gray we had been using. The idea was met with derision, but we tried it, and it made a difference. Sales recovered.

As for more mainstream executives, they can come up with good ideas, too, but often they are reluctant to speak out. I'm willing to give them a little push. If I'm in a meeting and people aren't volunteering anything on a controversial subject, I tell them we're going to be there for a while. The subsequent silence gets uncomfortable—eventually enough so that people start to talk. In one case, I came to a meeting to discuss a management problem we'd noticed in a customer organisation. I listed three or four reasons why it was important for me to speak with the customer's CEO about it. People resisted, but they weren't offering any alternatives. We waited for quite a while, and finally somebody spoke up. After some dialogue we decided that a person lower in our organisation would speak to a person lower in the customer organisation, rather than risk the flap that would come out of elevating the issue to the highest level.

Be willing to collaborate. It's surprising how many people still resist collaboration or sharing credit, even though we know how much more we can achieve when we bring everyone to the table at once. There can be very practical reasons for this—for example, it may not be in someone's financial interest to cooperate. But I expect people to trust that I will notice when they take an action that, say, costs their unit $2 million in the short run but will benefit the company overall in the long run.

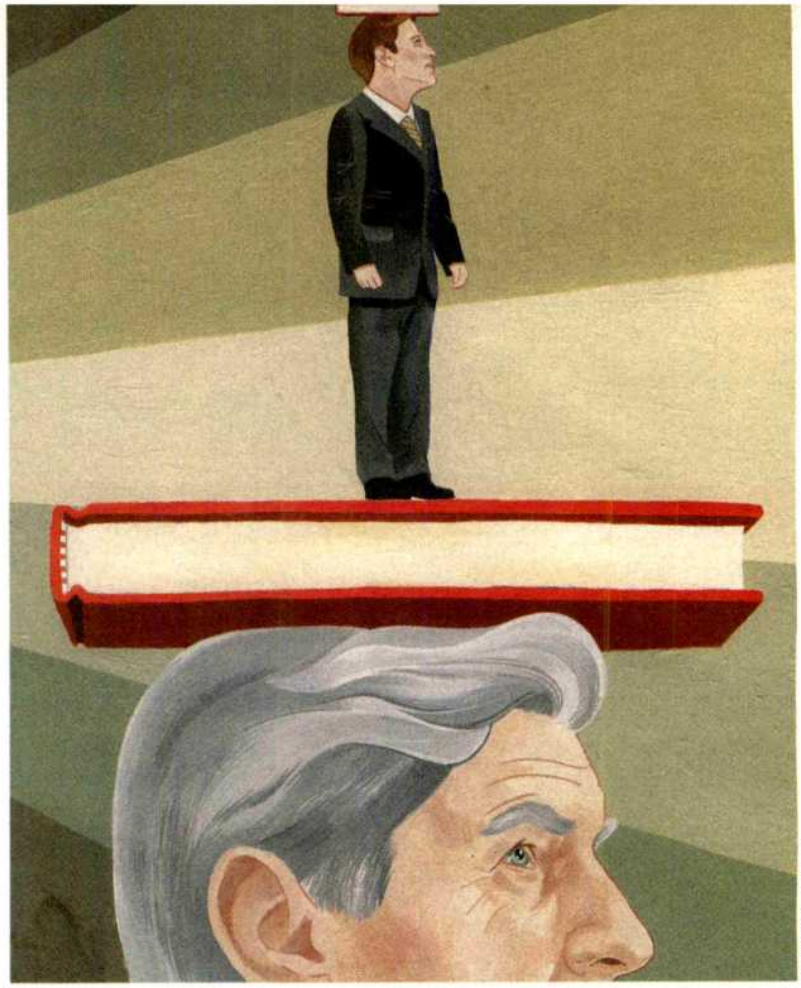
This is something I take very seriously. Some years ago I was running a big business that was functionally structured. The person who ran manufacturing and the one who ran marketing and sales did not get along well; they just wouldn't communicate. And because they didn't work together well, neither did their organisations. As a consequence, our inventories were always out of balance. The three of us met, and I told them that it didn't matter whether they

liked each other or not, but the way they worked together had to change. They left the meeting with instructions to overcome their differences, but three months later, nothing had changed. I called them back into my office and gave them both separation packages on the spot, telling them that although I thought they were good performers individually, their failure to collaborate was hurting the enterprise. An imposing guard was waiting at the door to take their badges and escort them from the plant.

At about 3:00 that afternoon the telephone rang. It was the two of them, asking to gain entrance to the plant. The first thing they said upon arrival was "We get it." They came back to work, and I don't know that they ever learned to like each other, but they learned to work well together—and more important, so did their organisations. Our overall performance improved considerably.

Be willing to lead initiatives. There's no way of knowing how a challenging new project will turn out, so people are often reluctant to be associated with an untested idea, particularly if it crosses functional or unit boundaries. They duck under the radar screen rather than risk going up in flames. But I want people to raise their hands. When we started with Six Sigma at AlliedSignal, some people didn't like it or weren't sure about it, but I'll never forget the people who took a chance, who assumed leadership roles even though they didn't know much about the programme. That's an attribute I prize in my employees. The ones who led the Six Sigma efforts were told that their careers would be accelerated if they succeeded, and those who made a contribution beyond unit boundaries did in fact climb the ladder faster than those who didn't.

Develop leaders as you develop. Too many people are selfish about their development. I want my direct reports to take as much interest in their subordinates' development as they do in their own—if not more. Early in my career, when I was at GE, I had a boss, a midlevel manager, who was a good performer but knew that he had gone as far as he was going to go. He called me in one day and said he felt I had a chance to be a lot better than he was and that he was going to do everything he could to help me reach my potential. From that moment on, he was more interested in my development than in his own. He went out of his way to criticise or praise me when I needed it. I'll never forget him; he played a very meaningful role in my career.



JOSHUA GORCHOV

I expect people to read, to watch the news—not just because it makes them more interesting but because **what happens in the world affects what happens to us,** to our marketplace, and to our competition.

A strong signal that executives are committed to developing their direct reports is involvement in performance appraisals. I expect my people to be personally involved in reviews—not to hand them off to someone in Human Resources—and to supply their employees with specific and useful feedback. When I was at GE and Allied, I regularly reviewed the goals my direct reports were setting for their subordinates. If they were vague, I asked them to keep working until they'd achieved an appropriate level of specificity. For instance, someone might list "improve interpersonal skills" when what he really meant was "be more willing to collaborate." The goals have to be specific enough

that people know how to approach the issue and whether or not they've made progress. "Improve interpersonal skills" doesn't tell an employee what to do.

Stay current. There's nothing more depressing than sitting in a business meeting with people who don't know what's going on in the world. I expect people to read, to watch the news—not just because it makes them more interesting but because what happens in the world affects what happens to us, to our marketplace, and to our competition. We make decisions in the context of world events, so people need to pay attention to them.

I also expect people to know what's going on with customers—how they're changing, how their competition is changing, how technology and world events are affecting their strategies. Customer relationships are an asset; people should bring them to the table.

Anticipate. One consequence of failing to stay current is that you risk a setback you ought to have anticipated—and you either recover more slowly than you should or never recover at all. Political events often trigger strategic threats. I'm a board member at Merck. With the Democrats in control of Congress, Merck is thinking about how to address that party's long-time platform on pharmaceutical pricing. It would be foolish to wait for new regulations; far better to get ready now.

A talented executive who once worked for me was perpetually caught off guard by adverse events—a new competitor, a negative regulatory development, an unforeseen customer problem. He worked very hard and he was smart, but he was frenetic and reactive, and never looked up to see the iceberg ahead of him. He even brought in a consultant to help him think through where the business would be in a couple of years, which culminated in a nice book that went up on the shelf while he went right back to his in-box. Eventually I began to spend the first 20 minutes of every meeting with him asking what he thought was about to happen. We went over competitors, customers, the regulatory environment—anything that might have an impact on the business. He improved, and he went on to become a CEO at another company, but anticipating change remained a struggle for him. The fact is, if it isn't in your DNA to anticipate, you don't. You can move the bar a little and find ways to compensate, but you can't change your nature. The people who are constantly looking around corners are best suited to leadership positions.

> Decisiveness isn't useful if it isn't timely... I consider asking for help a sign not of weakness but of self-confidence.

Drive your own growth. I expect people to seek perpetual education and development—not necessarily by going back to school but by exposing themselves to new people and ideas. Ask your boss for feedback, and if he or she isn't willing to give it, then turn to peers and subordinates, or find a mentor. Accept demanding assignments; you learn much more from them than you do from cushy projects. This takes some courage, because the outcome may not be as good, but it demonstrates that you're interested in your own development. It also prepares you for difficult challenges in the future. I'll promote somebody who has stretched his limits in tough assignments with sometimes disappointing results over somebody who met his targets by taking less taxing roles.

Be a player for all seasons. It's one thing to sustain the behaviours I've described in good times. It's easy to collaborate, to stick up your hand, to offer ideas, when sales and earnings are growing by 20 per cent a year. But how do you behave when they're in decline? I expect positive behaviours no matter what, and people who can live up to that stand out in my eyes. I can think of several people who were leading businesses, beating their forecasts, able to attract quality people—as long as the market was good. In a downturn they'd lose their ability to motivate and inspire people, their self-confidence would begin to wane, and I'd have to take them off the job.

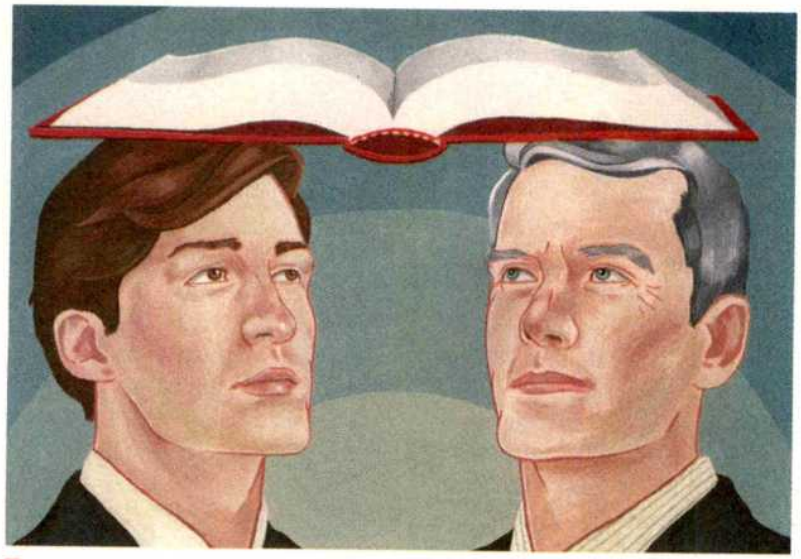
On the flip side, some people are well suited to containing costs and keeping a business afloat when opportunities for growth are minimal, but are so perpetually paranoid that they can't take advantage of an upswing. I always look for someone who can thrive in either circumstance, and I'm amazed at the number of people who can't.

What My Direct Reports Can Expect from Me

The CEO compact has two sides, of course, and I know my subordinates will do their jobs most effectively if they can expect a few things of me as well.

Provide clarity of direction. If I'm the leader, it's my job to communicate clearly where the business is going, why, and what the benefits will be if we accomplish what we set out to achieve. Every quarter the boss should get up in front of her team and explain the financial results and the progress of any operational or strategic initiative. This provides a crucial context for the work. If I simply tell someone, for instance, that he needs to improve cash flow, that's not terribly motivating. If I show him the actual numbers, he has some perspective on why and to what degree cash flow is an issue, and a better sense of how his job contributes to the enterprise as a whole.

Set goals and objectives. An



As a CEO, I never felt uncomfortable when somebody came to ask me why I had put one person into a role rather than another. If I couldn't explain my decision, then shame on me.

executive may assume he's doing a good job, but he can't know for sure that his boss would agree if he has no specific goals and objectives to strive for. In addition to team goals, each person should know exactly what individual goals he or she is going to be measured on over a given period and where to invest precious time.

When goals and objectives are clear, promotion and bonus decisions can be based on merit. Morale suffers if people think there's some mystery to the process, some behind-the-scenes explanation. They're much happier and more comfortable when they know they're working in a meritocracy. As a CEO, I never felt uncomfortable when somebody came to ask me why I had put one person into a role rather than another. If I couldn't explain my decision, then shame on me.

Give frequent, specific, and immediate feedback. When I give feedback, I'm signalling to people that I'm interested in their growth and that I see a path for their future. Employees shouldn't have to wait for an annual review to learn how they are doing, and if the feedback is going to help drive their growth, then it needs to be as specific as possible. I hate it when a boss says simply, "Great job, Joe." Joe may have done a great job, but possibly he could have done even better, and if I point out how, maybe he will do better next time. If Joe gives a presentation, I owe him feedback right on the spot. I might say, "You came prepared, you seem to know your stuff, but I heard five 'um's in the first two minutes, and that distracts your audience." If he did particularly well, it's helpful to point out why, so he can repeat the behaviour: "Great job, Joe, because you did your homework and made your point clearly in less than five minutes."

When the annual review comes, it should be simple. Forget HR jargon that attempts to disguise reality. An effective performance review tells the employee what he does well, what he could do better, and how he and his boss can work together to fill any gaps—no complicated forms or ambiguous language. *(See A Simple Assessment.)*

Be decisive and timely. Decisiveness isn't useful if it isn't timely. People should expect me to make decisions as soon as I have the information I need, and not to be careless or impetuous but to give clear, unambiguous answers. When a big contract is on the line, the time for the boss to pitch in is not the last minute, it's a month earlier. At Allied, a salesperson who was working on a deal with Boeing, say, might ask me to place a phone call—not because I could sell the job any better but because I represented the organisation. I shouldn't be making the call at the eleventh hour; I should make it well before the deal is set to close, when I can have more impact.

The problem is, people are often reluctant to get the boss involved for fear that asking for help will be perceived as a sign of weakness. They end up asking just when they think they're going to lose the deal. I consider asking for help a sign not of weakness but of self-confidence.

Be accessible. If I expect people to keep me informed about what's going on, then I need to be available when they need to see me. It's certainly in my interest. Frequently a boss doesn't learn that someone is leaving the company until he's about to walk out the door. If she'd known the employee was contemplating a move a month earlier, she could have taken him to lunch, talked to him about opportunities within the company, and maybe changed his mind.

And people should know that I'm not going to come down on them if they bring me bad news. In fact, I'm quite aware that if they're coming to me, more often than not the news is bad. Most people can handle good news on their own; they turn to the

A SIMPLE ASSESSMENT

I consult to a number of companies, and the first thing I look at is performance appraisals. Often I'll find three pages of the vaguest, most uncommunicative language imaginable. People write and write and write—and say nothing. Appraisals ought to be half a page that says what your boss likes, what you can improve, and what the two of you are going to do about it—simple and to the point, like the form shown here.

PERFORMANCE EVALUATION

Name: Joe Swift **Date:** 09/06/07

What I Like	What Can Improve
Ambitious	Inconsistent communicator
Team player	Impetuous
Volunteers to lead initiatives	Often fails to anticipate
Innovative	Vague in appraising performance
Meets commitments	of others
Interested in the development of others	
Stays current	
Quashes bureaucracy	

Comments

Joe, it's great to have you and your talents, but we need to decide how to progress on your development.
Let's meet on Tuesday, after you've had a chance to consider an action plan.

boss when they need some help.

Demonstrate honesty and candour. People spend far too much time figuring out how to tell others something unpleasant—how to deliver the news in a diplomatic way. This is common in performance appraisals. When I visit companies that I consult to, the first thing I ask leaders for is copies of their appraisals of subordinates, and I am continually amazed at the avoidance in their language. Look at the difference between vague and specific characterisations:

VAGUE	SPECIFIC
Hard worker	Results oriented
Attentive	Anticipatory
Detail oriented	Analytic problem solver
Good listener	Great communicator
Watches over his people	Holds people accountable
Amiable	Team player

The language on the left means nothing. Masking the truth doesn't help people develop. If I can say something sensitively and diplomatically, so much the better. But if I can't, I owe it to my employee to say it anyway.

Offer an equitable compensation plan. People want to be compensated fairly, in a way that reflects their contributions, and they want to understand how the compensation plan works. Employees should be able to estimate the size of their bonuses at the end of the year, because if the boss has also set clear goals and objectives, they know whether they have lived up to them, and they have a good idea of how the company did overall. The process shouldn't be shrouded in mystery or overly complicated.

• • •

Much of what I've described here has to do with keeping bureaucracy at bay. Bureaucracy is self-perpetuating, and cutting through it is a constant battle; because it's a fact of oganisations, you can never truly get rid of it. You can tell it's creeping in when decision making slows to a crawl, or when the battery of forms needed for performance reviews begins to obscure meaningful feedback. Maintaining these behaviours helps to show when red tape is encroaching on productivity—and helps to minimise the effect.

Of course, it's much easier to live up to the first of the lists I've outlined if you have a boss who lives up to the second. But you won't always be blessed with such a boss. If you aren't, the best thing to do is create a CEO compact with your own subordinates, and demonstrate by example. These behaviours will make you a better employee and may help you get promoted. They will certainly serve you well should you leave for another job. The purpose, after all, is to improve team and company performance, which should accelerate your own growth. ⊙

Larry Bossidy *was the chairman and CEO of AlliedSignal from 1991 through 1999 and the chairman and CEO of Honeywell from 2001 to 2002. He has also served as the COO of General Electric Credit Corporation (now GE Capital) and as the vice chairman of General Electric. This article was published in* Harvard Business Review, *April 2007.*
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Meher Pudumjee's Future Gaze

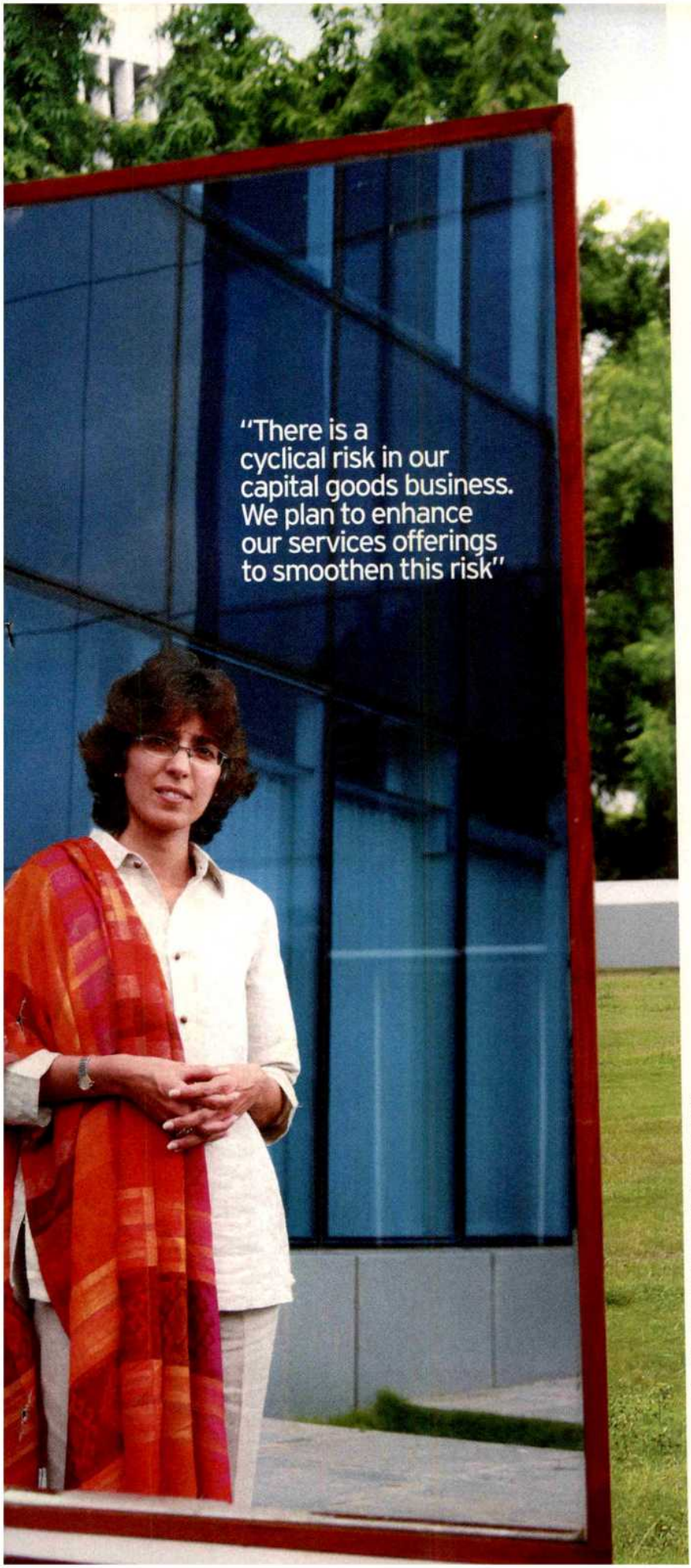
The Chairperson of Thermax peeps into the looking glass and sees the engineering giant increasing the contribution from services, and from its green portfolio, to sustain its blistering pace of growth. ANAND ADHIKARI

It's the latter half of September 2008 and the snowball that is the global credit crisis is rapidly beginning to gain in size and weight. Investment bank Lehman Brothers has filed for bankruptcy, Merrill Lynch has been bought out by Bank of America, insurance giant American International Group (AIG) is teetering and Wall Street is set to undergo a radical makeover. Back home, at the Pune headquarters of engineering giant Thermax, Chairperson Meher Pudumjee, 42, is just back from a CII meeting (she is a member of CII Young Indians). She wastes no time in hurriedly convening a meeting of the top management on the fifth floor of Thermax House. The top team is a bit suprised. After all, that's not quite the style of the western classical songstress, who makes it a point to join her choir group every Tuesday—she's rarely rushed, and isn't prone to panic.

Yet, when Meher called for that meeting, the Non-executive Head of the Rs 3,300-crore energy and environment solutions major was, perhaps, responding with a swiftness few head honchos thought was required at that stage. For Meher, to whom the baton was passed on by her illustrious mother Anu Aga—before her, Meher's late father Rohinton Aga was at the helm, and before him her grandfather A.S. Bhathena—the advent of the turmoil in the global credit market was easily her biggest test ever since she took over at the helm in October 2004. She responded in style—and in time. "We saw it (the economic slowdown) coming early as certain orders got cancelled," says Meher.

Now engineering and capital goods is a sector whose fortunes ride squarely on the health of the economy—it's a sector that tends to get hit the hardest during a slowdown (and is one of the last to turn around when a recovery begins). That the manufacturer of industrial boilers and heaters and of equipment that caters to industries ranging from cement and power to refineries and pharmaceuticals was able to hold its own in the last fiscal (although the top and bottom lines barely grew) was thanks largely to its ability to aniticipate softer demand conditions.

To counter the crisis, Meher was quick to kick-start a project called "Ever-Lean" to conserve cash and improve operational efficiencies when the slowdown hit corporate India. At the same time, she decided to accelerate the pace of the company's strategy to expand the services basket. This is being done to mitigate the risk in the capital goods segment—a bread and butter for Thermax, which accounted for 93 per cent of revenues last fiscal. The energy piece, which accounts for 77 per cent of the revenue pie (sector-wise), fell by 4 per cent in 2008-09. "There is a cyclical risk in our capital goods business. We plan to



NISHIKANT GAMRE/www.indiatodayimages.com

MEHER'S FIVE Ss

The Service

To capture the outsourcing opportunity in the lifecycle of equipment Thermax sells to various industries. The high-margin services arm would act as a profit centre.

The Synergy

Thermax has a strong base of 20,000 boilers installed in the last 30-35 years for various industries. The company now wants to build high-end capabilities to service the existing as well as new equipment on an ongoing basis.

The Strategy

Thermax recently added a service arm to each of its five business verticals. The idea is to find out and capture all the service possibilities in the lifecycle of any particular equipment.

The Skills

The company plans to use the power of telecom-munication—the mobile and the Internet—to monitor power plants online and act proactively to save a client's time and money.

The Scale

Services today contribute about 7% to total revenues. The target is to reach at least 15% by 2012.

NISHIKANT GAMRE

M.S. Unnikrishnan, Managing Director & CEO, Thermax

"Our longer term thrust is on making existing darker technologies greener and also creating a fresh green portfolio"

enhance our services offerings to smoothen this risk," says Meher, whose company today designs, manufactures and markets heating, cooling, power, water & waste management and air pollution control products.

As of today, services contributes about 7 per cent to total revenues, but there hasn't been a dedicated focus to tap the various opportunities in the lifecycle costs incurred by the customers. Meher gives a number to highlight the potential that's waiting to be tapped. "We have about 20,000 boilers installed in the last 30-35 years," says Meher. Apart from supplying spare parts, the company never thought of the outsourcing opportunity as a full-fledged service business. "We are now looking at this business segment as a sustainable business proposition," she adds. Thermax hopes to address customers with innovative approaches in services like energy rentals, process efficiency tracking at boiler sites, equipment life extensions, and operation & maintenance of power plants; it is also exploring other service revenue opportunities. The internal target is for services to contribute 15 per cent by 2012. Says Misal Singh, an equity analyst who tracks capital goods at Edelweiss Capital: "While the services business can grow at a high rate, it is unlikely to contribute anything beyond 15-20 per cent of the sales over the long term."

The economic slowdown may be Meher's toughest challenge yet, but that doesn't mean she's a stranger to tough times. After joining the company as a trainee way back in 1990, Meher and her husband Pheroz Pudumjee took on the responsibility of managing a loss-making UK subsidiary. They turned it around in four years. In 2002, after being elevated to Vice Chairman, Meher was at the forefront of a restructuring of the portfolio, an exercise that included divesting some non-core businesses like software, electronics and surface coatings. That's played a big role in helping the company grow at a compounded rate of 40 per cent annually over the past five years—from Rs 941 crore to Rs 3,300 crore last fiscal. "I took over at a time when the economy was in upswing," says a modest Meher.

To be sure, Meher's mettle will be truly tested as Thermax battles the slowdown. She has a target of a billion dollars in revenues, and jokes that when Thermax will get there "depends a lot on where the dollar stabilises". More than numbers, however, Meher's vision has a lot to do with building a sustainable business model for the longer term. "We are looking to see how we can build clean coal technology and a green portfolio," says the chemical engineer from Imperial College of Science & Technology, London. The 43-year-old company has made a start by making the headquarters all green. The bricks of the five-storied building are made out of fly ash, a polluting by-product from the power industry, and all the water is recycled for gardening. And the hot water in the bathrooms comes from solar power.

The years ahead will see Thermax busy "greening" its energy portfolio, which currently uses "dirty" fuel, as most of it is thermal power business is coal-based. Meher says coal will remain the biggest fuel globally as it's cheaper, but "balancing the green with the (dirty) fuels is something we are really thinking hard about". Adds M.S. Unnikrishnan, MD & CEO, Thermax: "Our longer term thrust is on making existing darker technologies greener and also creating a fresh green portfolio." Hopefully, as Thermax makes the shift towards a cleaner energy portfolio, it's balance sheet will also take on that spick and span hue. ⊙

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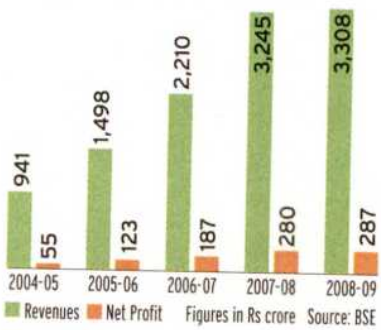
After Five Years of Growth...

Thermax has grown at a compounded annual rate of close to 40 per cent.



... Meher has set new targets for the next five.

- Continue with sustainable profitable growth.
- Gradually build a green portfolio in the energy business.
- Focus on innovation with major thrust on research & development.
- Derisk the business model by aggressively foraying into services.
- Buy companies to fill gaps in either the green portfolio or technology.
- Enter the billion-dollar revenue club in the next two years.

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Buyers Are Back

Though still small in numbers, buyers are back in the property market convinced that prices and interest rates have stopped falling. TEJEESH N.S. BEHL

MONEY SHARMA

Ratna Verma, Gurgaon

Interior Designer, with husband and son.

Family Income: Around Rs 35 lakh per annum

What She Bought: A 1,628 sq. ft four-bedroom apartment in Unitech Sunbreeze, Sector 69, Gurgaon, for Rs 53 lakh on construction-linked payment plan.

When: In 2009

Why: "I feel this is a good time to buy as prices have come to affordable levels. Besides, the economy appears to be getting better"

House Hunting

Where to look for a house in your city, given your budget.

Min. rate per sq. ft	900* sq. ft home	1,200* sq. ft home
Mumbai (8-10%)		
Western Suburbs 1 (Bandra W., Khar W., Santa Cruz W.)		
Rs 13,000	Rs 1.17 crore	Rs 1.56 crore
Navi Mumbai (Vashi)		
Rs 3,000	Rs 27 lakh	Rs 36 lakh
Central Suburbs (Thane)		
Rs 2,500	Rs 22.5 lakh	Rs 30 lakh
Pune (10-15%)		
Koregaon Park/Deccan		
Rs 5,000	Rs 45 lakh	Rs 60 lakh
Magarpatta		
Rs 3,200	Rs 28.8 lakh	Rs 38.4 lakh
Hinjewadi		
Rs 2,500	Rs 22.5 lakh	Rs 30 lakh
Bangalore (10-12%)		
M.G. Road		
Rs 7,000	Rs 63 lakh	Rs 84 lakh
Koramangala		
Rs 4,400	Rs 39.6 lakh	Rs 52.8 lakh
Whitefield		
Rs 2,400	Rs 21.6 lakh	Rs 28.8 lakh
Delhi (5-10%)		
Greater Kailash I & II		
Rs 11,000	Rs 99 lakh	Rs 1.32 crore
Gurgaon DLF Phase 1-4		
Rs 4,000	Rs 36 lakh	Rs 48 lakh
Noida-Sector 50, 61-63, 71, 82		
Rs 3,800	Rs 34.2 lakh	Rs 45.6 lakh
Kolkata (10-15%)		
Ballygunge		
Rs 8,000	Rs 72 lakh	Rs 96 lakh
Salt Lake		
Rs 3,250	Rs 29.3 lakh	Rs 39 lakh
Rajarhat		
Rs 1,700	Rs 15.3 lakh	Rs 20.4 lakh

Figures in brackets represent discount from peak;
*Apartment sizes refer to built-up area
Source: Knight Frank Research

It's almost a year since Gaurav Mahindra, 31, a young army Major, and his wife Ashima have been on the lookout to buy a house—a three-bedroom apartment in NCR, Pune or Bangalore. "I fear that if I don't buy a house within the next two years, I may never be able to afford one as speculative investment is going to return to the real estate market in a couple of years," he says.

Mahindra's two year time frame may be a little too lenient, judging by the calls being made by international property consultants, housing finance institutions, and of course, developers themselves—all of whom are chorusing that the market has bottomed out. A key pointer to that is the rise in home loan disbursals in the last quarter. "For demand for housing loans to pick up it was necessary that the cost of acquiring a house came down significantly from its 2008 levels. And fortunately we have seen that happen between October 2008 and March 2009," says Renu Sud Karnad, Joint Managing Director, HDFC. The bank has witnessed a 45 per cent increase in individual loan approvals in Q2 2009 compared to Q1 2009.

In fact, in certain markets like Mumbai, Delhi and NCR, developers have actually increased prices by around 5 per cent. "It's either a short- term gain developers are playing for or they are testing the market response. So, even if there's a further downside in the prices, it will be limited to a rollback of these hikes," feels Ghulam Zia, National Director, Advisory Services, Knight Frank.

Zia's assertions, however, offer little solace to the likes of Arjun Chatterjee, a Senior Manager with a media firm. The 28-year-old, a Mumbai resident for 5 years now, rakes in about Rs 17 lakh yearly. "With the correction that happened, many potential sellers shied away from offloading their holdings, even though there are plenty of buyers," laments the veteran of house hunting, who confesses to have looked up 150 apartments till date. His requirement: a one-BHK apartment for Rs 40-45 lakh in Mumbai's Andheri (West) suburb with his contribution about Rs 10 lakh. And while he hasn't set himself any hard deadlines to finalise his purchase, he knows that hoping for any further price corrections will be futile, unless there's a re-tanking of the stock market to sub-10,000 levels.

"While it's difficult to time the market if you are a speculator or an investor, for end users, this seems to be as good a time as any other to make their purchase as most segments appear to have bottomed out—the only exception being the luxury re-sale market where we expect a further correction of 15-20 per cent," points out Shruti Gupta, Head of Country-India, Hamptons International, a real estate consultancy based in Mumbai.

Understandably then, the hordes of hoardings announcing new projects by real estate developers have all been in the affordable housing segment, broadly defined as houses above Rs 10 lakh but below Rs 40 lakh. "Real affordability may be defined as the price calculated after multiplying the median income of

NISHIKANT GAMRE

Arjun Chatterjee, Mumbai

Senior Manager

Income: Rs 17 lakh per annum

What he's Looking to Buy and Why: A one BHK apartment for Rs 40-45 lakh in Mumbai's Andheri (West) suburb. Chatterjee says he has looked up at least 150 apartments but couldn't find one of his choice. But with the market bottoming out and developments galore, his luck could change.

60 per cent of a city's population with the affordability ratio—calculated as the ratio of the house price to household income, which should ideally be less than five," explains Abhisheck Lodha, Director, Lodha Group. Translated, it means the upper price point is elastic, depending on the city and the location—for a city such as Mumbai, the upper limit could stretch till Rs 50 lakh. Of course, affordability itself is a relative term—sauce for the gander may not be sauce for the goose. "Affordability is conceptually a misnomer as every housing is either affordable or not. Having said that, if you can service your EMI with up to one-third of your income, then the housing can be termed affordable," argues Harshvardhan Neotia, Managing Director, Bengal Ambuja Housing.

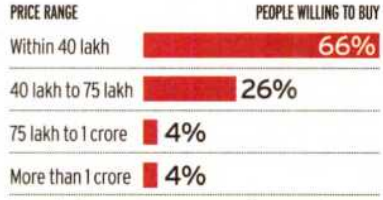
This recent glut of Rs 30 and 40 lakh houses in the market means that people who dreamt of owning their own homes but never imagined that it would become a reality are finally finding their fantasies within reach. Some examples of these projects: Omaxe New Heights in Delhi NCR's Faridabad region, with starting prices of just over Rs 16 lakh for a 850 sq.ft apartment, while the neighbouring Imperial Estate by SPR Buildtech, also in Faridabad, is offering apartments at a minimum rate of Rs 41 lakh for a two-bedroom unit.

However, buyers beware: most of these affordable housing projects are in locations where infrastructure is next to non-existent, without even a semblance of an approach road present. What they are banking on are upcoming infrastructure projects like expressways that will inject some sheen and gloss, not to mention capital appreciation, to their projects.

So, are these new launches finding any buyers? Developers in most cases claim a roaring success of their initiatives though their claims can't be independently verified. Market intelligence suggests that while there are indeed buyers in the market, in a majority of the cases, they prefer projects that are ready to move in or nearing completion. "For a buyer, an apartment is all about touch and feel—so obviously there's a higher comfort factor for under-construction projects," says Gupta of Hamptons International.

According to a recent Knight Frank report on affordable housing, based on a survey of 1,400 respondents across the seven cities of Delhi NCR, Mumbai, Pune, Bangalore, Chennai, Hyderabad and Kolkata,

Best Buys



Figures in Rs
Source: makaan.com
%age mentioned represents opinion of brokers/realtors.

affordable housing largely caters to the people in the income bracket of Rs three lakh to 10 lakh. Real estate developers as such are clear about their price points in their new product offerings. "We are catering to the first time buyer, earning a minimum of Rs 25,000 per month. Low cost housing is not what we are interested in at the moment as providing a quality product for less than Rs 10 lakh is not feasible for us," acknowledges Ashish Puravankara, Director, Puravankara Projects. Affordable housing, he adds, is more about efficient layout than just nipping away at the unit area—for instance, doing away with the entrance foyer or lobby rather than altering the size of functional spaces like bedrooms.

Besides, developers have a credibility problem when it comes to adherence of timelines for possession of their projects. While many existing projects are running behind schedule, realty developers have no qualms in launching more under different categories—mostly termed "affordable". The question, of course, on top of the buyer's mind is whether he can afford to trust the developer to deliver on time the new lot of projects? "The developers' conviction towards affordable housing appears very questionable. These projects were announced because other revenues dried up and there's a possibility that once the economy starts to roll again, the developers' focus may shift back to premium segment housing," predicts Zia of Knight Frank.

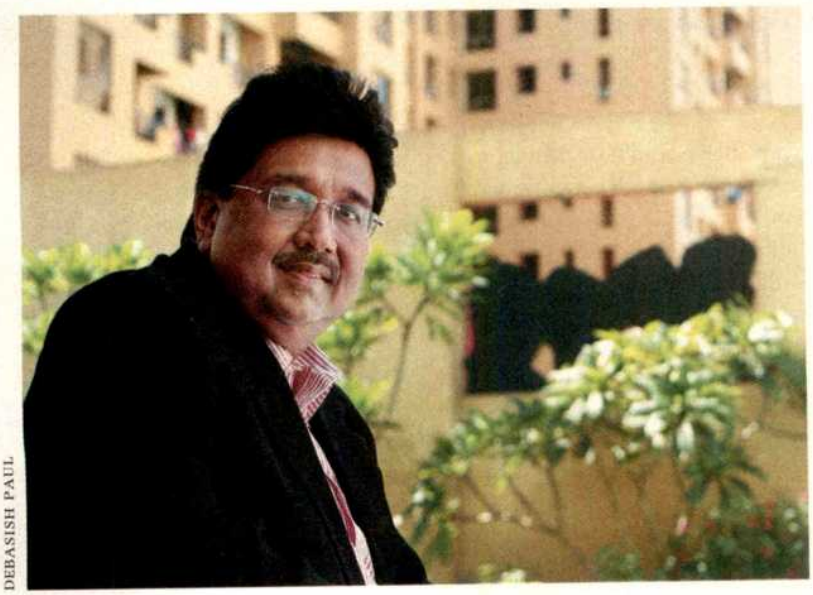
VIVAN MEHRA

"For housing loans to pick up it was necessary that the cost of acquiring a house came down from its 2008 levels. And we have seen that happen"

Renu Sud Karnad / Joint MD/ HDFC

"If you can service your EMI with up to one-third of your income, then the housing can be termed affordable"

Harshvardhan Neotia / MD/ Bengal Ambuja Housing



DEBASISH PAUL

Countering Zia's argument, R. Nagaraju, Vice President, Corporate Planning and Strategy, Unitech, vehemently denies that affordable housing is a stop-gap opportunity till the business climate improves. "We will continue to do premium segment housing but they alone would not be able to absorb the land parcel. Even if the market revives, you cannot have millions of square feet developed in the premium segment in a year's time. The bulk of sales in the future will come from the affordable segment," he asserts. Of course, the standing joke is that while the prices will fit your wallet, the sizes will fit your pocket. For the sake of the buyers, let's hope the joke's on the sizes and not on prices.⊙

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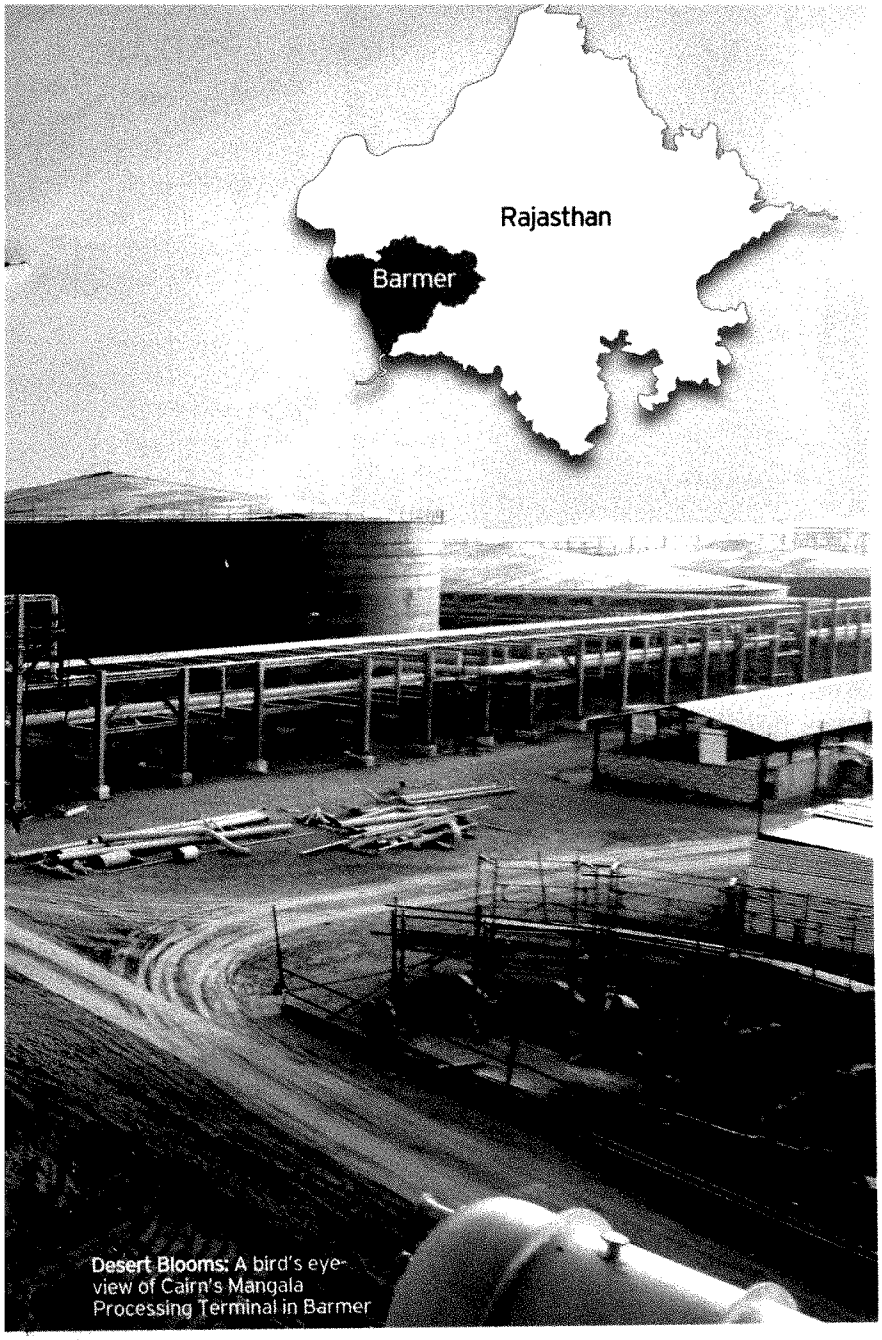
REPORTER'S DIARY

Golden Harvest

Manu Kaushik **takes a tour of India's largest onshore oilfield in Rajasthan's Barmer district as it goes into production.**

Crude oil.... It permeates our life so comprehensively! Diesel, petrol, LPG, plastics, paints, chemicals, pesticides, pharmaceuticals, non-cotton clothings...all these and much else are derived from it. So, when I recently got the opportunity to visit India's newest and largest onshore source of crude, Cairn India Ltd. oilfields in Rajasthan's Barmer district, I was curious and excited. That the sands of Rajasthan underlay a potential goldmine of petroleum reserves has been debated for a long time. The inauguration of the Cairn oilfield by the Prime Minister on August 29 settled that debate. Never mind that it took two attempts to nail the reserves. Anglo-Dutch giant Shell had explored the same region in the late 1990s and concluded that it contained no major oil reserves. Cairn India, the local arm of UK-based Cairn Energy Plc., took over in 2002 and just two years later struck a reserve that is expected to account for 20 per cent of India's oil output in 2011!

But, as I was to realise during my day's trip, more fascinating than the tale of discovery is the process of taking out the crude from the earth. From the use of sound waves to distinguish between water and oil and melting the crude-laden wax by injecting hot water to building a 700-km pipeline that has to be kept at a temperature of 65°C throughout—all this and more is needed to turn the crude into things useful. But all this was far away from my mind when we touched down at



Desert Blooms: A bird's eye-view of Cairn's Mangala Processing Terminal in Barmer

6,80,000
India's current daily oil output in barrels

1,75,000
Daily output in barrels from Cairn's Rajasthan wells by 2011

$124 billion
India's yearly oil import bill

Rs 20,000 cr
India's annual savings on oil import due to Cairn oil

20
Per cent will be Cairn's contribution to India's oil output

the Utterlai airbase near Barmer city and headed for the Mangala Processing Terminal (MPT), 20 km away in a bus. We cut across a desolate, sandy landscape, the monotony of which was finally broken when the towering structures of MPT began to materialise on the horizon.

At the MPT, a crowd of a few thousand people has gathered to witness the inauguration of first oil by Prime Minister Manmohan Singh. The land we are standing on is part of the 3,111 sq. km of oil blocks—Mangala, Bhagyam, Aishwariya, Saraswati and Shakti. The inauguration is an elaborate affair marked by a corporate presentation by Cairn and speeches by the CM and the Union Oil Minister. "Initially, the Mangala field, the largest of 25 oil and gas discoveries made in Rajasthan, will produce 30,000 barrels of oil per day (bpd) and reach a capacity of 50,000 bpd by the end of 2009. This will be supplemented by 40,000 bpd from Bhagyam and 10,000 bpd from Aishwariya fields to reach an overall plateau production of 1,75,000 bpd by 2011," says Rahul Dhir, MD and CEO, Cairn India, in his welcome note.

Sound of Oil

The ceremony and the lunch over, the BT photographer and I along with a few Cairn officials hop into a Toyota Innova for a tour of the MPT, which is spread over 400 acres (roughly the size of 200 football fields) and criss-crossed by 80 km of roads. As we head towards the Processing Trains, the nerve centre of the oilfield, we are in-

Pushing Oil: Insulated tankers that load processed crude on trucks for shipment

SHEKHAR GHOSH

Out of the total estimated oil reserves of two billion barrels, one billion is recoverable, that too with the use of an enhanced recovery mechanism

formed about the exploration process, which begins with seismic data acquisition. It involves sending sound waves into the earth's surface and measuring their amplitude when they bounce back. The amplitude differs for each of the substrates like water, soil, crude oil, etc. The actual availability of hydrocarbons in an area is assessed by testing the underground rock samples in a lab. Full-fledged drilling is undertaken after an economic development plan is prepared.

We pause briefly at a 100 ft. high mobile drilling rig. Cairn is using a horizontal drilling technique, which allows 20 wells to be operated from a single drilling pad. "This is being done as part of our zero local dislocation policy and efforts to minimise our footprint...and will reduce our surface footprint area by over 90 per cent," says Santosh Chandra, Director (Trading Operations), Cairn India. So far, 36 oil wells have been drilled but just two are operating. By 2011, Mangala alone will have around 100 wells. During the life of the project, i.e., 40 years, the company plans to dig at least 300 oil wells in the entire Barmer basin. Here, Cairn has to dig as much as 1,600-1,800 metres below the surface to reach the crude oil.

Waxing Out Crude

Another thing about the Rajasthan deposits is its high wax content, which makes it difficult to suck out the crude. "This is dealt with by heating saline water and pumping it into the oilfield, which flushes out the waxy crude," says an official, adding that for every barrel (1 barrel=160 litres) of oil, 1.1 barrel of water needs to be injected into these wells. Cairn transports this water through a pipeline from Thumbli, a saline water reservoir 22 km from MPT. Later, Cairn plans to add polymers to the water before injecting it. This will increase the recoverable reserves from the oilfields. "Of the total estimated oil reserves of two billion barrels, an enhanced oil recovery (EOR) mechanism will help us extract almost one billion barrel of crude oil," says D.K. Venkatesan, Head (Projects), CIL.

65°C Pipeline

Finally, we arrive at Train One, a complex maze of pipelines, through which raw crude consisting of oil, gas, dust particles and water gets processed as it passes a slug clutcher, production fluid heater, production separator settling tank and dehydrator. The water, after it is separated from the crude, is treated and injected back into the wells. Train One has a capacity of 30,000 barrels of oil per day (bpd). MPT will have three more trains, with the last one scheduled for commissioning by 2011.

The processed crude from Train One collects into two export oil storage tanks—each the size of five and a half swimming pools—before being loaded into tankers that will carry it to Kandla in Gujarat, from where it will be shipped to MRPL's refinery in Mangalore. By the year-end, crude will be shipped from MPT via a 700-km heated pipeline—the world's longest such pipeline—that Cairn is building from Barmer to Bhogat on the Gujarat coast at a cost of nearly $1 billion. This pipeline will cover two more delivery points: Viramgam and Radhanpur terminals, which are connected by pipelines to IOC's Koyali, Panipat and Mathura refineries. "Thirty-two gas-powered heating stations are being set up along the pipeline at a distance of 18-20 km from each other to keep the temperature in the pipeline at 65°C for smooth passage of crude," says Chandra.

Quality And Cost

As we leave Train One, we remember to ask about the quality and economics of the Rajasthan crude. We are told it has an API (American Petroleum Institute) specific gravity of 27.41, which makes it medium-grade crude with low sulphur content, like the Duri crude of Indonesia but inferior to Brent—a benchmark grade for crude. Initially, Cairn plans to sell at 10-15 per cent discount to Brent. The total cost to Cairn per barrel works out to $10—exploration and development $3.5, operating costs $5 and pipeline $1.5.

It's late afternoon by the time we prepare to leave the MPT. I look around me and the desolation and barrenness of the surrounding landscape suddenly seems comforting. ⊙

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READERSHIP PROFILE (in %)	MT	HT	TOI
SEC A	76	60	63
30+ Age	73	55	55
15000+ MHI	51	30	33
Own a 4 Wheeler	66	47	48
Own an AC	50	35	38
Own a Micro Wave	48	26	27
Own a LCD / Plasma TV	10	3	3

Source: IRS 2009 R1

What's a great ad if it doesn't reach the right people? According to the Indian Readership Survey 2009 R1, MAIL TODAY is not only the no. 3 English Mainstream Daily in Delhi, it is also the most popular newspaper amongst 'the upper crust'. The consumers who are always dealing with high-end products and services. So, if you want to reach out to the cream of the crop, you know which daily to reach for.

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News for the new India

Calling R&D Engineers

An intensive hunt is on for R&D talent across sectors. Here's why.

Maruti Suzuki India is on an overdrive. In August 2009, the auto major has set the ball rolling for its 700-acre R&D facility at Rohtak in Haryana that will see an investment of more than Rs 1,000 crore in the next two years. The only such Suzuki Motor Corporation facility outside Japan, it will also have a test track, wind tunnel, a crash facility and an R&D centre for passenger cars.

While Maruti was taking possession of land in Rohtak, its corporate offices in NCR were intensively scouting for talent for its R&D centre at both entry and senior levels. Keeping in view its talent requirements, the company has an HR cell specifically for R&D and engineering talent.

That's not all, Maruti's talent hunt has taken the company on a US jamboree. Mission: to acquire senior talent for its R&D operations. Says S.Y. Siddiqui, Managing Executive Officer—Administration (HR, Finance and IT): "We are looking at hiring senior talent in R&D from the US. The profile is specialists in various aspects of design. In fact, seven mid-to-senior level managers are set to join in a month's time."

At a time when job market across most sectors is struggling to return to normalcy, R&D and engineering is buzzing with activity across sectors like auto, oil & gas, infrastructure and industrial products.

"Certain sectors like power and infrastructure are also looking up on the back of projects taking off," says Hitesh Oberoi, COO & Director, Naukri.com.

Naukri's monthly survey of job market recorded a 16 per cent increase in hiring for engineering design and research & development in July 2009 compared to the previous month. He, however, cautions that sustainability of demand will depend on futher economic recovery.

According to E. Balaji, CEO, Ma Foi Consultants, R&D talent is limited and critical, and is required across several industries. He points out that demand for this talent is on the rise as companies, readying for a recovery, are rolling out new plans.

"FMCG, auto, high technology players, chemical, biotech & pharma companies are in hiring mode for such talent," he says. These are specialist skills, and profiles required are industry-specific. IT, too, is hiring R&D engineers. These openings are mostly in IT product companies. Profiles such as solution architects and engineers with exposure to cutting-edge technologies are also in demand. For slowdown-battered IT talent, that should provide some succour. ⊙

SAUMYA BHATTACHARYA

A Break-up of the Top 5 Sectors Generating R&D Jobs

Oil & Gas, Infrastructure **34%**

Auto **24%**

Construction & Engineering **20%**

Industrial Products **16%**

Pharma & Biotech **6%**

Figures for July 2009
Source: Naukri.com

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IP Soft India Pvt Ltd
Vice President- International Sales(Managed Services)
Location: Bangalore, Delhi
Job ID: 5425505
Description: IPSoft, the fastest growing MSP in the USA is looking for VP-International Sales (Managed Services). We looking for TOP Rainmakers in Leading MSPs with strong reach in US/Europe/Asia.

WNS Global Services
Senior Manager - Java
Location: Mumbai
Job ID: 7386403
Description: Incumbent must have 8+ ye experience in Java, Managed a team of 12 resources; experience in developi applications from scratch; worked on BI products; and more.

Capgemini
Delivery Manager Insurance
Location: Hyderabad
Job ID: 7367913
Description: Candidate must have strong project management skills; experience in production support & maintenance activities; should have managed projects in Java/ Mainframe /prod support technologies; etc.

TATA Consultancy Services Ltd.
ATG eCommerce Consultant
Location: Chennai
Job ID: 7383168
Description: Expertise in ATG eCommer Good Retail domain exposure. Atleast 8 te years of experience. Minimum 2 full c implementation experience as an A Architect/ Consultant

PC Solutions Pvt Ltd
Vice President-Networking Sales
Location: Delhi
Job ID: 7374096
Description: Will be working as a Business Unit head for Networking division, responsible for managing a team of dynamic Sales team who are responsible for identifying, creating new customers.

Tesco India
Operations Manager
Location: Bangalore
Job ID: 7354856
Description: He/She should be proficien MS office applications. At least 7-13 years experience in the field of Transact processing and voice support. Proven tr record with respect to service and more.

Suzlon Energy Ltd
AGM /DGM-Construction
Location: Pune
Job ID: 7358454
Description: Duties: Formation and implementation of change order and variation order process; track and record handing over documentation; review of premises for completeness; and more.

EMC Corporation
Consultant Software Engineer
Location: Bangalore
Job ID: 6992648
Description: Consultant must have Maste doctoral degree in Computer Science fro premier institution only overall indu experience of more than 12 years develo software; and more

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IP Soft India Pvt Ltd
Senior Unix Administrator
Location: Bangalore
Job ID: 5224672
Description: IPsoft, the fastest growing MSP in USA (grown over 100% each during last 5 yrs) requires candidate with exp in managing enterprise class production critical Linux/Unix server and storage environments.

Patni Computer Systems Ltd
Team Leader/ Technical Leader
Location: Mumbai
Job ID: 7386945
Description: TL must have strong knowledge of Websphere Commerce Suite 6.0; In depth knowledge of Web Development technologies, Websphere Commerce Suite, Websphere Application Server, etc.

Virtusa (India) Pvt Limited
Progress 4GL - Senior Engineers
Location: Chennai
Job ID: 7304150
Description: Aspirant must have expertise in Programming languages - Progress 4 GL (CHUI), Database - Progress 9.X; Other Tools - Open Edges, ADM2, WebSpeed and SonicMQ.

Real Soft Inc.
Cisco Voice Portal Professionals
Location: Bangalore
Job ID: 7283449
Description: Candidate must have CVP 3.X and exp with development and support of voice communication systems. Full-life cycle development exp using structured development methodologies; and more.

ValueLabs
.Net Developers
Location: Hyderabad
Job ID: 7375776
Description: Job holders must have expertise in Dot net 3.5/ 2.0,ASP,ASP.NET, C#, C#.NET, ADO.NET, SQL server 2005; must be capable of understanding, analyze and implement requirements.

Tech Mahindra Limited
SIP Developer
Location: Bangalore
Job ID: 7382875
Description: Developer must have experience with the SIP protocol (at least one year), Object Oriented Design and Programming, UML, Java language programming on Unix/Linux operating systems, etc.

Aricent Technologies Limited
Sr. Software Engineer/Technical Lead(CUT, SSI, 3G, RRC, RLC, MAC)
Location: Gurgaon
Job ID: 7365914
Description: Contribute primarily to functional specifications, high-level design, low level design, documentation, coding, design & code reviews, testing, problem fixing, test reports, and provide SW support for Integration, etc.

Rockwell Collin
Embedded Systems Engineer
Location: Hyderabad
Job ID: 7324459
Description: 5-8 yrs strong design experience in "C" language on Linux OS. (Preferable on WindRiver - Linux) Experience in Ethernet device drivers and protocols, I2C, and leadership experience.

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Infogain
Business Development Manager
Location: Mumbai, Pune
Job ID: 7352734
Description: Understand Infogain's software services and solutions for software product companies and IT organization

New Horizons India Ltd
Manager -Franchise sales
Location: Noida
Job ID: 7361170
Description: Applicant must have 2-5 yrs Franchise development / Franchise sales Sales; Will be responsile for signing up Ne Horizons Franchise centers; Should ha worked in a sales / target driven environment.

Infotech Enterprises Limited
Sales Manager
Location: Hyderabad
Job ID: 7170123
Description: Responsible for establishing, developing and closing business opportunities for ASIC Design and Embedded software development services. The position requires sales and relationship management exp.

ICICI Lombard General Insuranc Company Ltd
Online Marketing Manager
Location: Mumbai
Job ID: 7362133
Description: Duties: Build onlin communities on the website to support o various products. Manage the process developing the Content in a structured for on the site.

WNS Global Services
Telesales/ Telemarketing Executive
Location: Gurgaon
Job ID: 7040993
Description: Key functions: Answer inbound calls; document the calls to ensure all information is captured; ensure one time call resolution; maintain accuracy of information given and documented; and more.

CMS Computers Limited
Territory Sales Manager
Location: Mumbai
Job ID: 7350638
Description: Responsible for selling of I hardware products and products pertaining systems integrations, responsible fo enhancing the existing customers, lea generation, key account management.

Monster.com
Corporate Relationship Manager
Location: Chandigarh
Job ID: 7350301
Description: Selling Monster's enterprise solutions to leading companies; Identify & analyze the clients requirements, thoroughly mapping the accounts; Propose apt solutions based on client requirement for talent acquisition.

HDFC Standard Life Insurance Compan Limited
Sales Development Manager
Location: Belgaum
Job ID: 7332754
Description: Aspirant must have goo academic record; exp of sales in a Financi services industry; consistently good record i sales or sales management; responsible t identify potential financial consultants.

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Thomson Reuters
Taxation - Manager
Location: Hyderabad
Job ID: 7377588
Description: Candidate must have Bachelor's degree in accounting/finance/business. Exposure to Go Systems. Should have worked on Tax Forms such as 1040, 1120, 1065; and more.

Wipro Infotech
Senior Account Manager
Location: India
Job ID: 7371717
Description: Responsible for revenue generation for BFSI within few accounts/region; ability to look at a account holistically & independently understand the requirements from the business & IT; etc.

New Horizons India Ltd
CA
Location: Mumbai
Job ID: 7361077
Description: Aspirant should have at least 2-4 yrs exp of working after CA inter qualification. Should have exp in calucalation and filling of service tax, professional, income tax returns, preparing challans.

Cambridge Solutions Ltd
Sr. Financial Analyst
Location: Bangalore
Job ID: 7356253
Description: Lead the agreed scope of GL related activities and services through sound decision making, creative thinking, and implementation of best practice philosophy. Manage GL Accounting compliance, etc.

Genpact India
Accountant
Location: Jaipur
Job ID: 6792636
Description: Audit of Loan/Lease Documents, Interaction with senior management at Client end, Preparing of Invoices, Working on General Accounts, Forecast Planning, Preparing Client Statements, etc.

Syntel Inc
Business Analyst - Capital Markets
Location: Chennai, Mumbai
Job ID: 7380547
Description: Person must have in-depth understanding of US Capital Market processes (buy side), products and systems with 5- 15 years experience. Indepth understanding of Fixed Income securities and Derivatives.

Virtusa (India) Pvt Limited
Senior Internal Auditor
Location: Hyderabad
Job ID: 7218155
Description: Assist in executing a comprehensive audit program for the world wide evaluation of management controls, operational efficiencies, and various financial issues; Provide financial, IT and operational advice, etc.

TATA Projects Ltd
Internal Auditor
Location: Hyderabad
Job ID: 7030425
Description: He/She will be part of a team conducting internal audit, review financial and / or Management Systems and Procedures, Internal Controls, maintain working relationship with external and internal auditors, and more.

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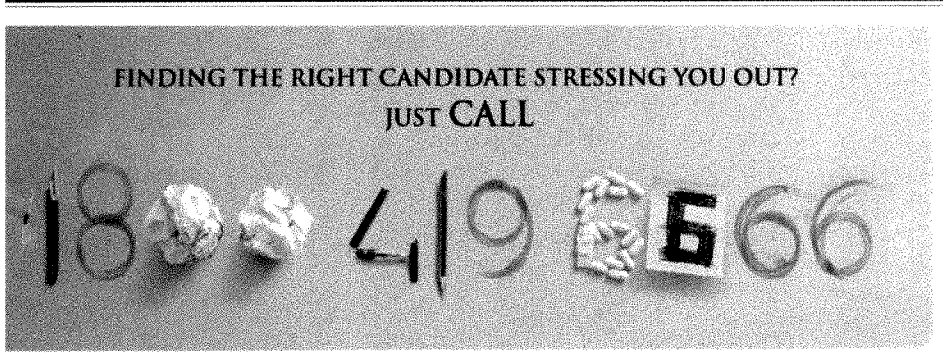

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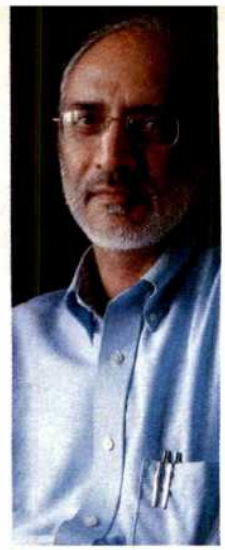
ASHOK GULATI
DIRECTOR (ASIA), INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

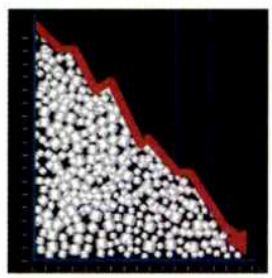
Why Sugar Crisis Repeats in Three Years



RAMEN SARKAR/WWW.INDIATODAYIMAGES.COM

How would sugar taste to an *aam admi* (common man) if I say that by November 2009, sugar price is going to hit Rs 40 plus/kg. It would be utterly bitter and may spoil the holiday mood in October when festivities in India peak. But why is the price of sugar going through the roof? Only a year ago, it was Rs 16/kg, and by now it is already double of that, and is still continuing its bull run.

The reasons are not hard to explain. The production last year was down, and is not likely to be much higher even this year. The sugar stocks have almost depleted and would scrape the bottom by October, and global prices are on an upswing and likely to remain high till December 2009, at least, if not beyond that.



Sugar production has a typical three-year cycle. Therefore, to understand what is happening today, one should start at least three years back. In 2006-07, sugar production was 28 million tonnes against the domestic consumption requirement of around 20-22 million tonnes. In 2007-08, again, the production was 26 million tonnes. It led to huge accumulation of sugar stocks, which had to be liquidated by giving a freight subsidy (Rs 1,450/tonne) on exports of sugar, and this continued till September 2008. In 2007-08, sugar mills were reluctant to lift cane from farmers, resulting in accumulation of arrears of cane payment to farmers. Having burnt their fingers with overproduction of cane, farmers switched away from cane in 2008-09, and sugar production fell from 26 million tonnes in 2007-08 to 15 million tonnes in 2008-09, a whopping drop of more than 40 per cent in a single year. And in 2009-10, given the drought, the condition on sugar front is not going to improve significantly for quite some time.

India had an import duty of 60 per cent on sugar till January 2009, which it slashed to zero only when it realised that it may have to import 5-7 million tonnes of sugar. But unfortunately, the global market of sugar was already under fire... the sugar price in August 2009 touched a 27-year high at 24 cents a pound. White Sugar Futures trades at Liffe commodities (London International Financial Futures and Options Exchange) for the next couple of months show an upward swing in the price, i.e., as high as $566.4/tonne in December 2009 against $537.2/ tonne for October 2009. This would almost amount to Rs 30 plus/kg at the port, and by adding unloading charges, domestic freight, retail margins and so on, it won't be a surprise to see it crossing the Rs 40/kg barrier by November-December 2009. Consumers will pay through their nose and it may exert pressure on politicians.

India had an import duty of 60 per cent on sugar till January 2009, which it slashed to zero only when it realised that it may have to import 5-7 million tonnes of sugar.

But who is responsible for this mess? One may count several factors behind this, but the central part of the story lies in administrative regime of minimum support price (MSP) in case of wheat and rice and statutory minimum price (SMP) and state advised price (SAP) for sugarcane. They are influenced by political considerations, especially SAP in UP, and lead to large swings in production, leading to a three-year cycle of boom and bust. Unless Indian policymakers are ready to reform this administrative price regime, consumers and producers both will keep having a roller coaster ride on this three-year sugar cycle. ⊙

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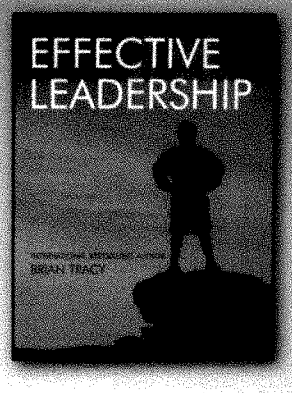

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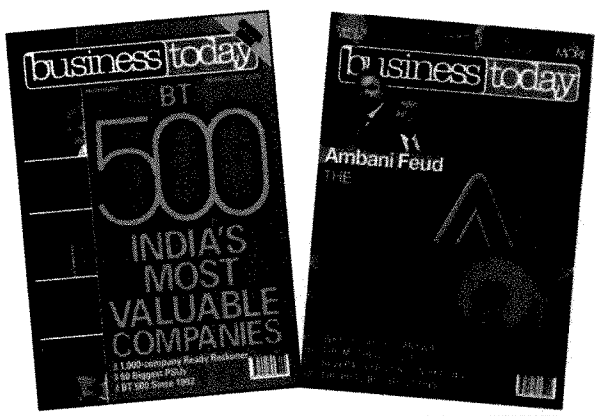

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8 Mr. ☐ Mrs. ☐ Miss. ☐ Ms. ☐

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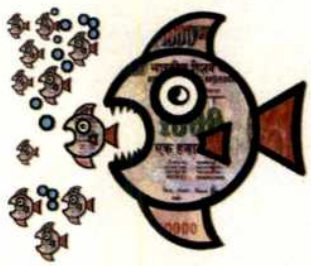
SATVIK VARMA
SENIOR CORPORATE LAWYER, AMARCHAND MANGALDAS

Why Hostile Takeovers May Rise

With a sizeable share of the Indian equity pie now with FIIs, can one expect they will be driven by their fiduciary obligations to increase shareholder value through hostile takeovers?

While the tussle between RIL (Reliance Industries Ltd) and RNRL (Reliance Natural Resources Ltd) has attracted media attention, developments at another oil and gas company deserve note. Great Offshore Ltd, which provides services to upstream producers, carrying offshore explorations, is the target of a competitive open offer, with rivals Bharati Shipyard Ltd and ABG Shipyard Ltd keen to acquire a majority stake. And while their battle continues, the shareholders of Great Offshore have a reason to celebrate. The script recently closed above Rs 532, three times to what it was trading last year. From the shareholders' perspective, no one can question the increased value bids like this offer. But events like this do compel one to think why India hasn't witnessed many unsolicited takeovers, especially if they enhance shareholder value.



RAMEN SARKAR

By no means is one advocating them, but takeovers are the fastest way for companies to achieve expansion of product and customer base. They provide immediate access to additional production lines and markets and these factors must have been considered by the boards of Bharti and ABG while making their bids. But with a large number of stocks trading at a discount to the company's underlying assets, one wonders if factors aside from business ethics prevent corporate India to take advantage of this route of inorganic growth. A key reason has been the role of the local financial institutions, which have traditionally had ties with promoter families and have been stumbling blocks in takeover attempts in the past. However, times are changing. With a sizeable share of the Indian equity pie now with Foreign Institutional Investors (FIIs), can one expect FIIs to be driven by their fiduciary obligations to increase shareholder value through hostile takeover situations?

To prevent hostile takeovers, internationally, companies commonly adopt the "Poison Pill" or Shareholder Rights Plans, involving the issuance of low-priced preferential shares to existing shareholders if a purported hostile bid is consummated. Such new issuance results in diluting the shareholding of the raiders, thereby making the acquisition prohibitively expensive. "Green Mail" is another popular defence under which the target is forced to buy back its own security from the unfriendly blackmailer at a substantial premium.

In India, however, the above stated defences may not entirely be applicable, especially with the restrictions around buy-back of securities. And while the companies may be able to issue warrants, which trigger when an acquirer crosses certain shareholding thresholds, it is important to note that these warrants cannot be used to buy shares at a substantial discount. Under the DIP (Disclosure and Investor Protection) Guidelines, the exercise price of the warrants must be the average of the weekly high and low of the closing price during the six months or two weeks preceding the date when the shareholder general meeting is held to consider the proposed issue. Additionally, the DIP Guidelines require 25 per cent of the price payable for the warrants to be made upront—the amount is forfeited if the option to acquire the shares is not exercised in 18 months.

The regulators have a tough balancing act—ensuring that they don't overtly encourage hostile acquisitions, and also not act as "Killer Bees" to fend off hostile takeovers. ⊙

Money

FMPs

Profiting from PMS

Portfolio Management Services have become more transparent, thanks to a recent SEBI directive. Here's how to choose one. CLIFFORD ALVARES

NISHIKANT GAMRE/www.indiatodayimages.com

AJAY PAREKH

PMS Provider: **Parag Parikh Financial Advisory Services**

Years with PMS: **11 years**

Human resource professional Ajay Parekh is delighted by the way his portfolio is managed as the focus of his portfolio is on sound and well-managed companies. Some stocks in his portfolio have been held for over five years.

Last year, not many portfolio investors had the good fortune of Ajay Parekh, a 38-year-old human resources professional in Mumbai. When Parekh signed up for Portfolio Management Services (PMS) with Mumbai-based Parag Parikh Financial Advisory Services 11 years ago, a long-term wealth-building strategy was the priority for him. His investments having successfully negotiated the ups and downs in the markets over the years, including the IT boom in 2000 and the asset bubble of 2008, Parekh is convinced that he has picked the right portfolio manager.

Parekh, who has 24 stocks in his portfolio, notched 20 per cent compounded, 11-year returns. Over the same period, the Sensex gave returns of 12 per cent. "I have seen two serious market volatilities and now know what preservation of wealth really means. Everyone promises you the moon, but creation of wealth requires patience and a long-term approach," he says.

Last year's crash left many investors in the lurch. In many cases, portfolio management firms like brokers and fund houses were not up to the mark in disclosing their investments and portfolios to individual account holders. PMS providers invested in stocks in bulk and later allocated the stocks to individual accounts. This created a time lag between the time of investing and the time of allocation to an individual's account.

But timely intervention by the Securities and Exchange Board of India (SEBI) has made PMS attractive for investors once again. Though SEBI

went into action in May, just when the market began its upward journey, it has taken these months for PMS providers to set their house in order.

SEBI's new rules mandate that brokers and fund houses maintain separate Demat accounts for each individual client. Hitherto, PMS providers used to pool the stocks and later issue statements to their individual clients. With the new guidelines, although PMS providers have to incur more costs in maintaining their client accounts, the transparency of portfolio management services also increases manifold. Investors can know within a few days whether their account is debited or credited with the stock through SMS alerts.

Now, with the revival in the stock market and attendant increase in risks and rewards, more and more financial services companies are joining the PMS bandwagon. And many more have come up with different PMS solutions for individuals. For example, some portfolios invest only in mutual funds whereas others invest only in stocks; still others invest in aggressive mid-cap to sectoral strategies. Besides, you can also tailor your own portfolio requirements which can avoid certain categories of stocks—say, of liquor companies.

Most fund houses have designed products that you can choose from and the options are plenty. Says Sudip Bandyopadhyay, CEO, Reliance Money: "We follow a mixture of top-down and bottom-up approach while investing. The portfolio is a mixture across market capitalisation with a view to capture either growth or value unlocking."

The key is to know what your requirements are. If you want a long-term value building portfolio, then it's better to go for those PMS providers that have the core philosophy of investing in value stocks. If you are an aggressive investor, then you may want to look at a more concentrated stock portfolio, like mid-caps or some other sectoral flavours. Says Rajeev Thakkar, CEO, Parag Parikh Financial Advisory Services: "It is critical for investors to know the investing philosophy. We are not bothered about market cap, but about good management, sound governance towards minority shareholders, entry barriers in the business, and finally, very good valuations."

PMS is not a short-term product. If fund houses promise you unreasonably high returns when you take up portfolio management with them, be wary of such service providers. Be sure to keep tabs on what your fund manager is doing with the portfolio and how he's diversifying it to make future gains. If you have too many momentum stocks in your portfolio, the fund manager has tuned your portfolio to maximise on the upside. You may want to review the fund portfolio every three months or so with your fund manager.

Ideally, you may also not want to have too many stocks in the portfolio. Fund houses typically keep the holding to about 15-25 stocks. This helps in weeding out companies when the market conditions have changed, and introducing new stocks in the portfolio where long-term prospects have improved. Says Thakkar: "A lot of study has been done on the number of stocks to hold in your portfolio. If you invest in too many stocks, the volatility does not go down significantly, and your portfolio begins to mimic an index fund."

Finally, take a look at the performance benchmark of your fund. Over long periods, your fund should outperform the indices such as the Sensex in case it's benchmarked to the broader market indices. If your fund is underperforming over a two-three-year period, then you should switch to a different PMS provider. Fund managers have the option of going into 100 per cent cash if the market conditions have deteriorated or if there are no compelling value picks to invest in.

You may also want to check on the fees a fund manager charges. Experts say that it's often best to choose a fixed and variable fee structure. A performance-based fee structure is an incentive for the fund manager to perform. Make sure that the minimum hurdle rate is a reasonably risk-free return of around 10-15 per cent per annum. If you opt for a fixed fee structure, in a down market, you will end up paying higher fees for a poor performance. And also make sure the fund manager does not unduly churn your portfolio to charge higher brokerage fees. If the broker or fund house has your long-term interest in mind, then they are likely to steer towards keeping your business for the long haul. ⊙

WHAT TO LOOK FOR WHEN YOU SELECT A PMS PROVIDER

STYLE OF INVESTING

The style of investing should match your risk appetite and your core investing strategy. For example, portfolios are constructed as mid-cap or aggressive or value-investing strategy.

PORTFOLIO PERFORMANCE

Your fund manager should be able to better the benchmark indices. If your fund manager is lagging, then you need to change to a different PMS provider.

CHURN RATIO

A higher churn rate means that the PMS provider is not confident about the stocks and this also increases your expense through broking and Demat charges.

FEE STRUCTURE

Should combine both a fixed and a variable fee. Fixed fees range between 1-2 per cent. Variable fees are charged on different hurdle rates or on a minimum performance.

The Return of FMPs

After a long gap, FMPs are back in vogue and, yes, they still make good investments. CLIFFORD ALVARES

After a gap of nearly six months, the neat Fixed Maturity Plan (FMP) is slowly making a comeback. This fixed income product became unfashionable after the Securities and Exchange Board of India (SEBI) banned fund houses from stating their indicative yields and portfolios before they were launched. But since August 2009, 11 new offer documents were filed with SEBI, suggesting that investors are now beginning to warm up to these products once again. Fund houses that have filed offer documents include DWS, Fortis, HDFC, Kotak, Principal PNB and UTI Mutual Funds. Says Arjun Parthasarthy, Head of Fixed Income, IDFC Mutual Fund: "We feel that it's the right time to launch these products as investor appetite is rising."

With the interest rates in the economy showing signs of firming up, fund houses have begun launching these funds to capture the higher yields. Another reason for launching these funds now is the indexation benefits that FMPs will get, particularly for schemes maturing in April 2010 or April 2011.

Indexation allows investors to get a better post-tax return. Comparative fixed income instruments like the bank fixed deposits don't have a similar tax advantage like FMPs. As a result, the post-tax yield for an investor in the highest tax slab is merely 5.4 per cent per year on an 8 per cent bank deposit while a similar yielding 13-month FMP nets about 7.4 per cent post-tax.

Says Suresh Sadagopan, Certified Financial Planner, Ladder7 Financial Advisories: "On pre-tax basis, while FMP returns are similar to other products, its post-tax returns are far higher as compared to other debt products, making them attractive instruments for investors in higher tax brackets."

On the other hand, the investment portfolios of FMPs are also shifting towards safer and sounder bond instruments. Gone are the days when fund managers used to invest in high-yielding debt paper of non-banking financial companies and highly-leveraged debt companies. Besides, post the Lehman Brothers' bankruptcy, fixed income instruments had come under the scanner for possible defaults and FMP products were looked at with skepticism. But now fund houses are focussing on AAA (read triple A) or AA+ rated debt instruments that have a lower default risk. Although this reduces the final yield on the FMP product, it reduces the risk of default and thus, a loss of return to the investor. But as fund houses are barred from giving out indicative yields, investors need to comb the fund's offer documents to assess its debt portfolio.

Also, look at the history of the fund house, how they managed FMPs earlier and whether they aggressively invested in lower rated papers to chase yields. Says Sadagopan: "Investors can look at a fund house's risk history, and also take into account debt compositions of earlier portfolios to assess FMP risks."

One must also remember that high-rated paper could also default due to abnormal situations. Hence, investors must do their own due diligence as post-tax yield on FMPs are too good to pass up. ⊙

DOUBLE BENEFITS

The indexation facility to calculate capital gains favours FMPs.

Cost of Purchase	Rs 50,000
*Redemption receipts	Rs 54,333
Index for 2007-08	551
Index for 2008-09	582
Index cost	Rs 52,813
Capital gain	Rs 1,520
Tax liability	Rs 304

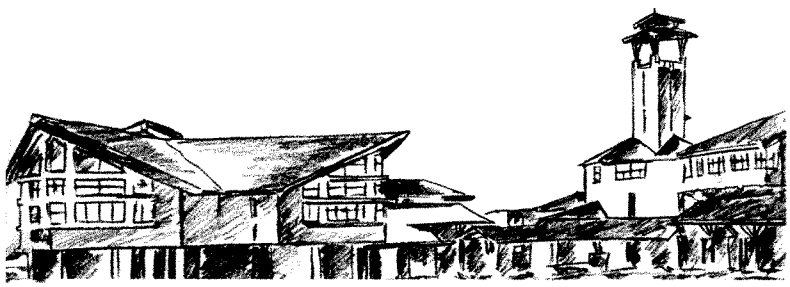
*@ 8% returns for 13 months; illustrative example

ON THE ANVIL

FMP offer documents filed with SEBI are on the rise.

SCHEME NAME
HDFC FMP Series XII
Fortis Fixed Term Fund–Series 16C & D
Principal PNB FMP–385 days–Series XVI
Principal PNB FMP–91 days–Series XXII
UTI Fixed Term Income Fund–Series VII
HSBC Fixed Term Series 75-78
ICICI Prudential FMP Series 50
Fortis Fixed Term Fund–Series 16A & B
HDFC FMP Series XI 4 Plans
Kotak FMP 19M Series 2
DWS Fixed Term Fund–Series 66

Source: SEBI



Where modern Indian history began with Vasco da Gama in 1498.

Where the mountains meet the sea.

Which is rated India's best B-school in Web presence in Google scholar.

Executive Development Programmes

CEO Roundtable Timeless Leadership: What sustains leaders?

October 2, 2009

Programme Director:
Prof. Debashis Chatterjee

The most under leveraged resource of CEOs is their own self. How does a CEO leverage the power of the self? What are those personal and institutional values that sustain leaders in a crisis? A deeply thought provoking retreat for CEOs.

Valuation of Real Financial and Intangible Assets

October 12-14, 2009

Programme Director:
Prof. Abhilash S Nair

The programme will discuss valuation techniques and their application in valuing real estate, financial institutions, human capital and brands. Key beneficiaries would be middle and senior level finance managers in KPOs, Investment bankers, Stock analysts and those involved in valuation activities.

Managing Your Career in a Flat World!

October 26-28, 2009

Programme Director:
Prof. T N Krishnan

Career-minded middle and senior level executives wishing to reassess, advance or chart new careers would benefit by understanding the relationship between business environment and their careers, learning techniques of investing in career opportunities and putting together personal and professional development plans.

Accelerating Salesforce Performance

October 29-31, 2009

Programme Director:
Prof. G Sridhar

This programme aims at addressing the issues of enhancing sales force productivity by several ways. Middle level managers like State Leaders for sales, Regional managers, Zonal managers of several industries are the ideal participants for the programme. The programme will cover sales force size, structure, recruitment, training, workload plan and call norms, technology and sales tools, compensation, motivation and leadership to improve sales force performance.

Organizational Behavior Inputs for Enhancing Employee Performance and Humanistic Orientation in Workplace

December 02-04, 2009

Programme Director:
Prof. B S Pawar

Organizational citizenship behaviors, organizational justice, organizational support, transformational leadership and workplace spirituality can potentially enhance employee performance and help create a more humanistic workplace. The programme discusses these aspects with a focus on junior and middle level managers who may be heading a group, department or work unit.

Evaluating Financial Performance through Financial Statement Analysis

December 15-17, 2009

Programme Director:
Prof. K K Ramesh

How to evaluate the financial strength of a prospective borrower? What is the maximum credit that can be given to a customer? What is the worth of a share of a company? What is the value of a business? These and related issues will be explored in this programme through a variety of tools and techniques of financial statement analysis. Primarily for senior and middle level managers of public and private sector banks, non-banking financial companies (NBFCs), portfolio managers and investment consultants.

Indian Institute of Management Kozhikode

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Goodbye Symbian

Nokia finally prepares to bid farewell to the venerable operating system. KUSHAN MITRA

If you have used a Nokia mobile device in the past 15 years, you have interacted with the Symbian operating system—from the basic Symbian Series 30 to the Series 60 of Nokia's high-end Eseries and Nseries devices. But if you have experienced other modern operating systems such as the one on the Apple iPhone or new BlackBerry devices, then Symbian, even its latest avatars, feels positively outdated.

So, at the recently-concluded Nokia World event in Stuttgart, Nokia announced that it will be moving on to Linux. The new build of Linux is called 'Maemo' and the first device featuring this new mobile operating system, the N900 is ready. I played around with the N900 at Stuttgart and the first 'hands-on' impression was that Maemo is a lot more capable than Symbian Series 60.

Maemo has been optimised for touch-screen devices from the very start, unlike Symbian whose integration into touch felt shoehorned. The N900 maintains the N97's dual touch and full-keyboard interface, something Nokia believes users want. The large screen size and the option of four customisable home screens makes it easy to use. What Nokia has also done is that it has maintained some lineage with Symbian, so a user switching to Maemo from Symbian won't flounder.

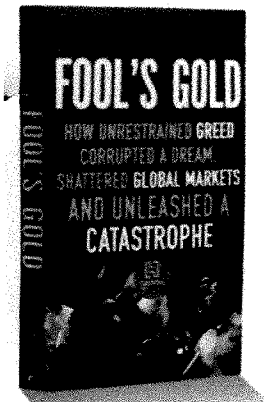
However, like Anssi Vanjoki, Executive VP, Nokia, admitted, operating systems never die. So, Symbian isn't going away. But the future has been charted out, and for Nokia, at least for the time being, it is Maemo.

The World's Biggest Waste of Time?

facebook

- Everyday, people spend **five billion** minutes on Facebook, making it one of the top three properties on the Internet (there are 525,600 minutes in a year).
- Over **125 million** people visit the Facebook site every month.
- Of that, **65 million** people access the site on their mobile devices using either dedicated applications (BlackBerry, iPhone, Nokia N97) or the mobile website (http://m.facebook.com).
- There are an estimated **4.5 million** Facebook users in India alone and India is one of the site's fastest growing geographies.
- Facebook is developing new applications for people with regular mobile devices to connect on the site minus a data connection such as **Facebook on SMS** available at 9232232665 (92-FACEBOOK) in India.

These are some of the interesting factoids that Henri Moissnac, Director (Mobile), Facebook, shared with us. But the site isn't stopping there. According to Moissnac, Facebook is developing new applications that will take advantage of the geo-location abilities of some of the latest mobile devices. And there will also be more for users who do not have data on their mobile devices. With India a fast growing market for Facebook, the product endorsed (indirectly) by Mahendra Singh Dhoni in an advert and with a growing retinue of users, expect more from the world's largest social network soon. ⊙



PUBLISHER: Little Brown
PAGES: 338
PRICE: Rs 1,200

Explaining the Meltdown

Gillian Tett's book takes us inside the mysterious world of derivatives and shows us how a culture of innovation, greed and hubris almost destroyed the world's financial system. RAJIV RAO

In 1994, Exxon requested a $4.8-billion credit line from its banker J.P. Morgan as a result of its oil spill debacle. The loan was hardly attractive business—it would occupy a large space on Morgan's credit books without generating much revenue. Yet Morgan was loath to deny a long-standing client credit. Blythe Masters on the Morgan derivatives desk had an epiphany. She convinced the European Bank for Reconstruction and Development to assume the default risk for the loan in exchange for an annual fee and crafted a pioneering financial instrument which became known as a 'Credit Default Swap'. At the time, Masters could have hardly known that she was giving birth to the progenitor of a monster that would bring the global financial system to its knees.

Gillian Tett's book *Fool's Gold* is a lucid, forensic examination of how the arcane world of derivatives became a goldmine—and then a graveyard—for some of the most hallowed names in finance. Tett, Head (Global Capital Markets), *Financial Times*, gets into the guts of the derivatives industry to tell this tale of how derivatives experts in investment banks became the new cowboys in town. Yet, these gunslingers were geeks—mathematical wizards, developing complex models and inventing new ways to hive off and flog risk which no-one, save themselves, could understand. In the 2000s, the hottest instrument was the Collateralised Debt Obligations (CDOs)—essentially home mortgages bought by investment banks, sliced and diced, pooled together, and then sold to hedge funds and other investors.

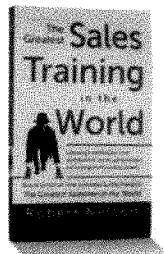
Tett deftly paints the picture of a perfect financial storm: Greenspan had slashed rates to almost nothing following the implosion of the tech bubble and was a staunch devotee of both free markets and derivatives; Americans were practically being gifted houses regardless of their credit worthiness; investment banks were doing a roaring business splicing up mortgages and selling them; ratings agencies such as Standard & Poor's were stamping CDOs with AAA ratings and collecting fat fees; meanwhile, the massive pile of mortgages that were yet to be sold were funnelled into Structured Investment Vehicles (SIVs) by banks anxious to keep debt off their books. Also, almost everyone in the derivatives industry was violently against regulation, insisting that their band of brothers was quite capable of self-policing.

Bank CEOs, meanwhile, were clueless about derivatives. Ironically, the exception was Jamie Dimon, CEO of J.P.Morgan, a shrewd, razor-sharp banking industry maverick who remained unfazed by their aura. Dimon's main preoccupation was mitigating Morgan's credit risk. Since he simply could not calculate the risk that CDOs posed, he prevented Morgan from aggressively pursuing the CDO market while its peers were racking up massive profits. Today, Morgan stands tall amidst the wrecked landscape of banks—Lehman Brothers and Bear Stearns vapourised overnight, while Citigroup and Bank of America were severely mauled.

Tett's tale is not quite the page-turner in the mold of James Stewart's epic *Den of Thieves*, and she spends a little too much time on the financial side of things, neglecting an opportunity to tell us something about the culture of money, which is invariably what these sagas are about. Yet, Tett's book is an invaluable contribution to our understanding of the most tumultuous period in financial history and raises burning questions about the American model of *laissez-faire* capitalism, lack of regulation in an era of financial innovation and the tendency of humans to quickly forget crucial lessons in our history. ⊙

"There are people investing in stuff they don't understand, who really seem to believe the models..." Pg 118

BOOKMARKS



The Greatest Sales Training in the World
By Robert Nelson
Jaico
Pages: 189
Price: Rs 175

Based on the best-seller, by Og Mandino, this book explores how to increase profits or personal income by applying the tenets in Mandino's book. Also featured are asides from the world's greatest sales experts.

CATS—The Nine Lives of Innovation
By Stephen C. Lundin
Tata McGraw-Hill
Pages: 168
Price: Rs 250

Lundin presents a collection of self-awareness and thought exercises to spur innovation. He lists four obstacles that curtail creativity as well as techniques to overcome those obstacles.

Make Your E-mails Work For You

Writing effective e-mails is harder than you thought. SAUMYA BHATTACHARYA

Here's the foremost rule of e-mailing: grab attention with the subject line. Subjects such as 'Urgent", 'Follow-up' or 'Looking for a response' become hazy, generic and ambiguous markers. In order for e-mails to command attention, its subject line should contain the key message (eg.: "Sales meeting re-scheduled to 2 p.m. Thursday"), which will also allow your reader to retrieve your message effortlessly.

RAMEN SARKAR

Brevity is not just the soul of wit—it's also the essence of an e-mail. Communications expert Deborah Dumaine suggests taking up one topic per e-mail. "Treat each e-mail as a coherent information packet—to ask a question, communicate your opinion, report news and so on," she says. With this approach, readers can respond to your message more easily and your message can be forwarded without any drag-alongs.

Also, focus on who your audience is. A survey of 2,300 Intel employees revealed that people judge nearly one-third of the messages they receive to be unnecessary. Employees surveyed received an average of 350 messages a week and executives up to 300 a day. Besides, when writing to your peers and friends, you can be as informal as you want. When writing for business, adapt your tone and language to the reader. Morgan Stanley's Asia economist Andy Xie's e-mail harangue cost him his job a couple of years ago when an e-mail that he wrote containing disparaging comments about Singapore was leaked to the press.

"TREAT EACH E-MAIL AS A COHERENT INFORMATION PACKET–TO ASK A QUESTION, COMMUNICATE YOUR OPINION, REPORT NEWS"
Deborah Dumaine, Communications expert

This brings us to another peril of new age communication: Nothing in your official e-mail is confidential. Former Australian Test batsman Justin Langer learnt a harsh lesson in how quickly an e-mail aimed for a private audience can become public. During The Ashes in August this year, in a private e-mail meant only for coach Tim Nielsen, Langer called English cricketers 'lazy' and 'shallow'. While this leaked e-mail didn't have a major fallout, you are unlikely to be as fortunate at your workplace. ⊙

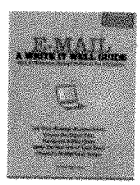
Log on to *www.businesstoday.in* for Running Effective Meetings and Making Projects Work

STEPS TO A SMART E-MAIL

- Put precise words in the subject line.
- Put all the important information on the first screen.
- Use bullet points, short sentences and paragraphs.
- When forwarding a message, revise the original subject line, if needed.
- Avoid 'Reply All'. Send e-mails only to people who need to receive them.
- Avoid sending private messages via official e-mail.
- Delete mass mailings; don't forward them.
- If you keep sending messages back and forth without reaching a resolution, plan a meeting.

Source: *Writing for Business* (Harvard Business School Press)

SUGGESTED READING



E-MAIL: A WRITE IT WELL GUIDE–HOW TO WRITE AND MANAGE E-MAIL IN THE WORKPLACE
By Janis Fisher Chan

BIQ

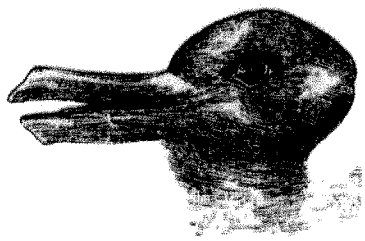
Test Your Business I.Q.

U.S.N. Bhat from Mumbai *was the first to give us the correct answers to the quiz published in the issue dated September 6, 2009. So, as we promised, he wins a year's subscription to* BT.

E-mail us the right answers at *btfeedback@intoday.com* or log on to *www.businesstoday.in* to take the quiz online. Correct answers in the next issue of *BT*.

ANSWERS to the questions in the last ISSUE, dated SEPT. 20.

1 a. Marconi Wireless Telegraph Co.
2 c. Gabardine
3 b. Russia
4 a. Moonlighting
5 c. Queen Elizabeth II
6 a. Paramount Airways
7 b. Oil found at Digboi
8 c. Beretta
9 d. J.P. Morgan
10 b. Indian Bank



1 In *The Structure of Scientific Revolutions*, Thomas Kuhn used several illustrations like the above, introducing us to which phrase?

- ☐ a. Fisher effect
- ☐ b. Paradigm shift
- ☐ c. Catch-up effect
- ☐ d. Theory of convergence

2 The biggest international trade fair for the aircraft/aerospace industry is held biennially at which town in Hampshire?

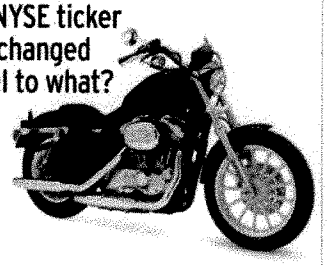
- ☐ a. Farnborough
- ☐ b. Titchfield
- ☐ c. Aldershot
- ☐ d. Ramstein

3 Which Tamil language satellite TV channel was launched by Karunanidhi's family in 2007?

- ☐ a. Sun TV
- ☐ b. Kalaignar TV
- ☐ c. Udaya TV
- ☐ d. Karuna TV

4 On August 15, 2006, Harley-Davidson Inc. had its NYSE ticker symbol changed from HDI to what?

- ☐ a. HAR
- ☐ b. HOG
- ☐ c. BIKE
- ☐ d. HELL



5 It was installed on January 11, 2008. Disaster struck 11 days later, prompting some to demand that it be removed or reinstalled later. What was it?

- ☐ a. Statue of Ambedkar
- ☐ b. The Dalal Street Bull
- ☐ c. The closing bell replica
- ☐ d. Statue of Mayawati

6 What happened for the last time on TV during the *Tonight Show* in 1970 and involved Virginia Slims?

- ☐ a. B&W broadcast ended
- ☐ b. The last cigarette ad in the US
- ☐ c. Replays of tennis ended
- ☐ d. No more b&w ads

7 What do software developers call the menus, buttons and boxes that surround the main windows of a programme?

- ☐ a. WYSIWYG
- ☐ b. Windows
- ☐ c. Chrome
- ☐ d. Desktop

8 This Milan-based group was founded as a leather goods company in 1913 and the founder's granddaughter Miuccia grew the business into which fashion apparel company?

- ☐ a. ETRO
- ☐ b. Prada
- ☐ c. Dolce & Gabbana
- ☐ d. Gucci

9 What pastime do Warren Buffett and Bill Gates indulge in when they are together?

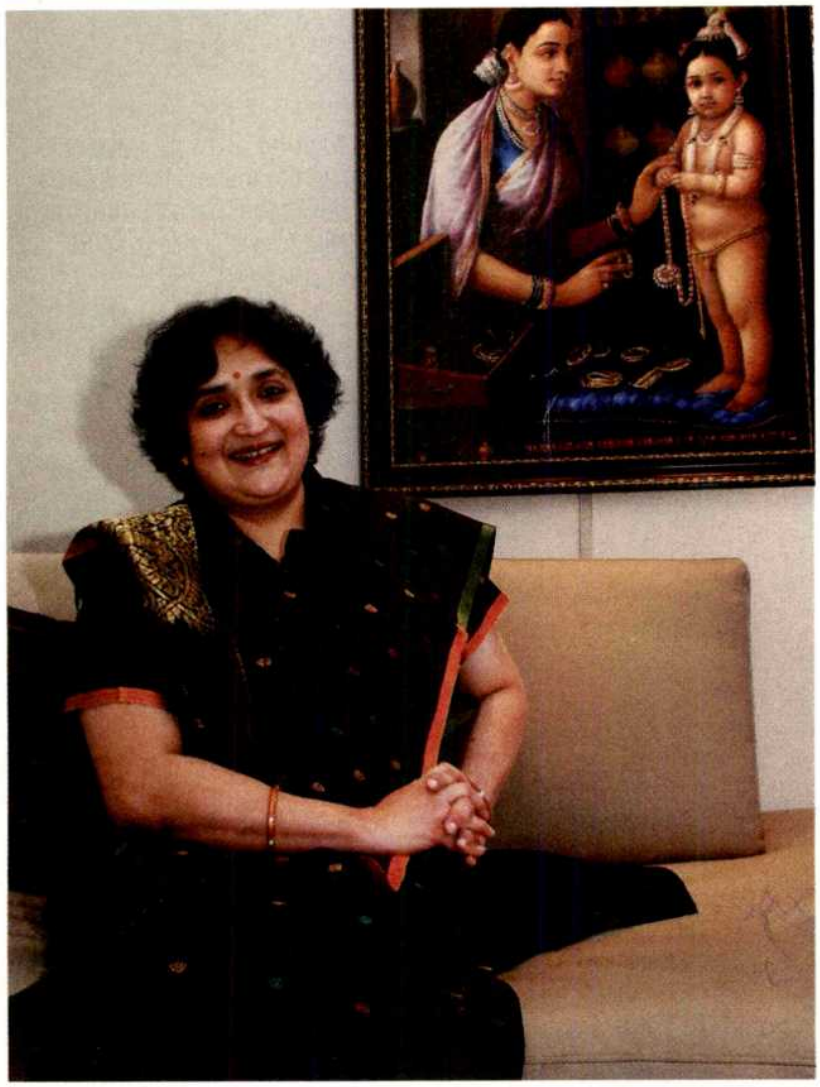
- ☐ a. Golf
- ☐ b. Bridge
- ☐ c. Chess
- ☐ d. Discuss stocks

10 K. Thiagaraja Chettiar founded the Bank of Madura. His grandson M. Thiagarajan is the Founder-CEO of which new-generation company?

- ☐ a. Paramount TPA
- ☐ b. Paramount Textiles
- ☐ c. TG Software
- ☐ d. Paramount Airways

ppp

People | Places | Products



G. KESHAV RAJ

LATHA RAJINIKANTH

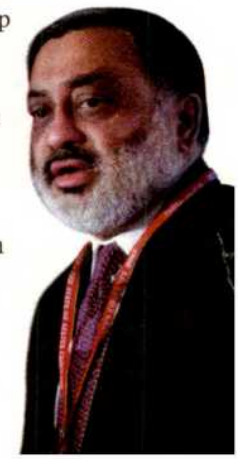
New School of Thought

LATHA RAJINIKANTH is doing in real life what her famous film star husband does on screen—lending a helping hand to the underdog. That has propelled her to start new ventures in education. Latha, who is in her 50s, says she wants "to develop education models that will ensure emotional and mental well-being of students while inculcating the right values". That's why at her school (currently at the planning stage), 40 km from Chennai, she is following the *gurukul* model of yore where students get a chance to learn, away from the disturbances of life. At her pre-school and kindergarten initiative "Anandavana", parents are invited to stay with their children in school. "Children can come in at anytime and attempt any activity they like," she says. Now that's some radical school of thought!

RAVI PARTHASARATHY

Winning Ways

He is a dealmaker par excellence. Hardly surprising then, **RAVI PARTHASARATHY**, 56, Chairman, Infrastructure Leasing & Financial Services (IL&FS), swung the Maytas Infrastructure deal in his favour without a public bidding process when the company announced its open offer for Maytas Infra. With a 37 per cent stake (22.6 per cent pledged by the Raju family), IL&FS was the natural guardian that could acquire the heavily debt-ridden Maytas Infra. But it needed some persuasion, too, as the government took a long time to decide. At IL&FS helm since 1988, Parthasarathy's deal-making expertise came to the fore earlier this year with IL&FS selling off its broking subsidiary to HSBC. Under Parthasarathy, IL&FS is now being recognised as some sort of a pioneer in structuring profitable public-private partnerships like the Noida Toll Bridge deal. And the canny negotiator that he is, Parthasarathy even knows when to walk away from the table—one day after the Maytas announcement, IL&FS refused to pick up a stake in Tata Tea's hived-off north Indian tea plantations. Going by his track record, few will question Parthasarathy's moves.



SHRIYA PATIL

VIJAY MALLYA

Mallya's Mean Machine

To all those deriding his expensive sporting engagements, liquor tycoon **VIJAY MALLYA**, 54, has replied, not in words, but with results. In a display of a dramatic turnabout in the Belgian Grand Prix at Spa-Francorchamps last month, the team stunned the sporting universe by finishing second and reaching its first ever points scoring position. Yet, at the moment, Force India has suffered a setback in the exit of Giancarlo Fisichella—the Italian driver responsible for Mallya's moment of glory. But the UB Group Chairman betrays no signs of stress. He, instead, seems to think it's the machine which matters the most in a game like this, rather than the man at the wheel. Hopefully, Mallya will turn the fortunes of his ailing airline in the same way.

PRODUCT

Lenovo S10-2

Lenovo's original S10 was one of the best netbooks of its generation, thanks to its stellar build-quality. The second generation of this popular netbook is thinner and lighter, and comes with an extended life six-cell battery, which lasts over six hours. The keyboard, like most netbooks, might feel a bit small. So, until netbooks featuring Intel's next-generation 'Pinetrail' and Windows 7 come out later this year, this is possibly one of the best buys. Price: **Rs 20,640 onwards**

PLACE

Munich

It's Oktoberfest time! Over six million people attend the 16-day beer festival held in Munich, Germany (Sept. 19-Oct. 4) every year. While this is, indeed, the best excuse to visit now, Munich has a lot more to offer. Check out Marienplatz, the central square in the heart of the city, or drive down to the Residence Palace of Munich, the former royal palace of Bavarian monarchs, at the edge of old town. Also on the must-visit list is the Dachau concentration camp—one of the first camps in Nazi Germany. The Olympic stadium, where the Munich massacre happened during the 1972 Summer Olympics, is open to visitors as well.

The Olympic Stadium in Munich, Germany

CONTRIBUTED BY NITYA VARADARAJAN, SUMAN LAYAK, K.R. BALASUBRAMANYAM, DHIMAN CHATTOPADHYAY & KUSHAN MITRA

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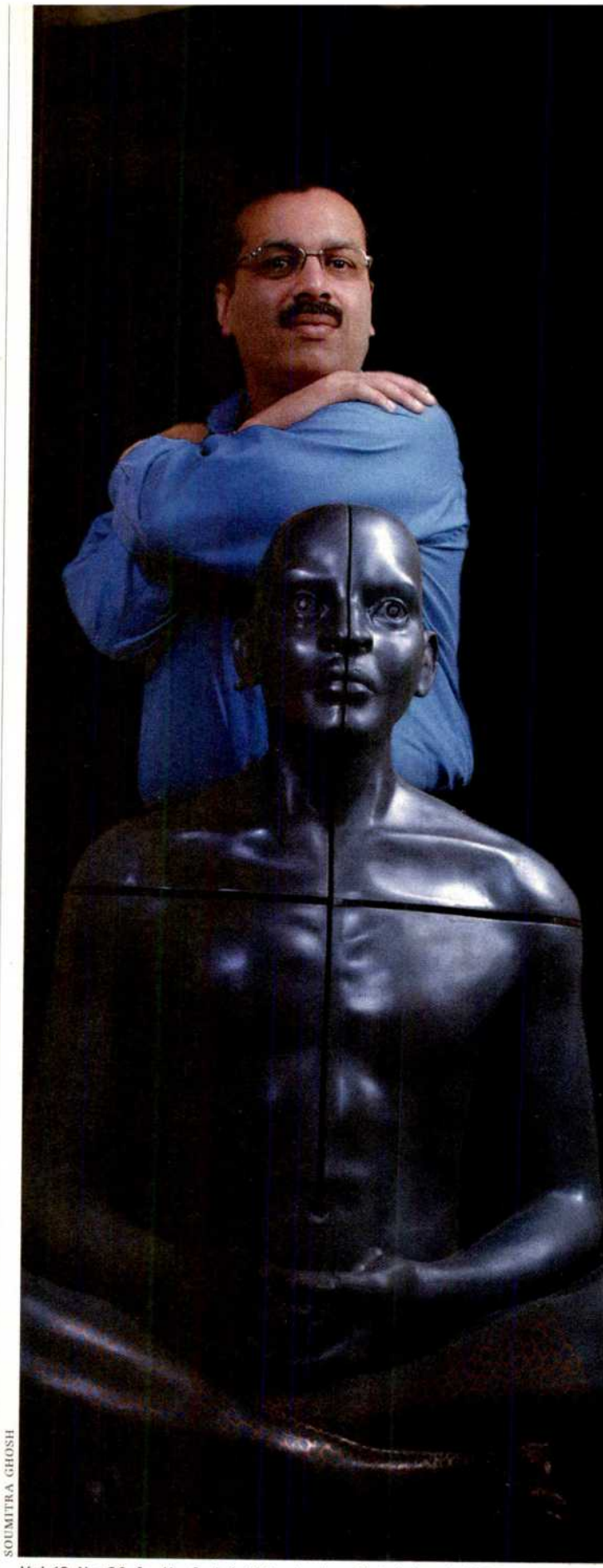

SOUMITRA GHOSH

SANJIV GOENKA

Vice Chairman | CESC & RPG Enterprises

The leadership lesson I remember best
Understand your limitations–and work within them.

The political leader I admire the most
Sonia Gandhi.

The business leader I admire the most
My father R.P. Goenka.

A book or movie I would recommend on leadership
The leadership of FDR in the movie *Pearl Harbour.*

The difference between a manager and leader
A manager thinks of this quarter; a leader thinks of, and plans for, the future also.

The worst thing a leader can do
Not trust his own team.

My biggest test as a leader was
When CESC was passing through a very difficult time, giving confidence to the team that the future was bright and motivating them to perform under trying circumstances.

All good managers aren't good leaders
Yes.

As told to Somnath Dasgupta

Vol. 18, No. 20, for the fortnight September 21-October 4, 2009. Released on September 21, 2009.

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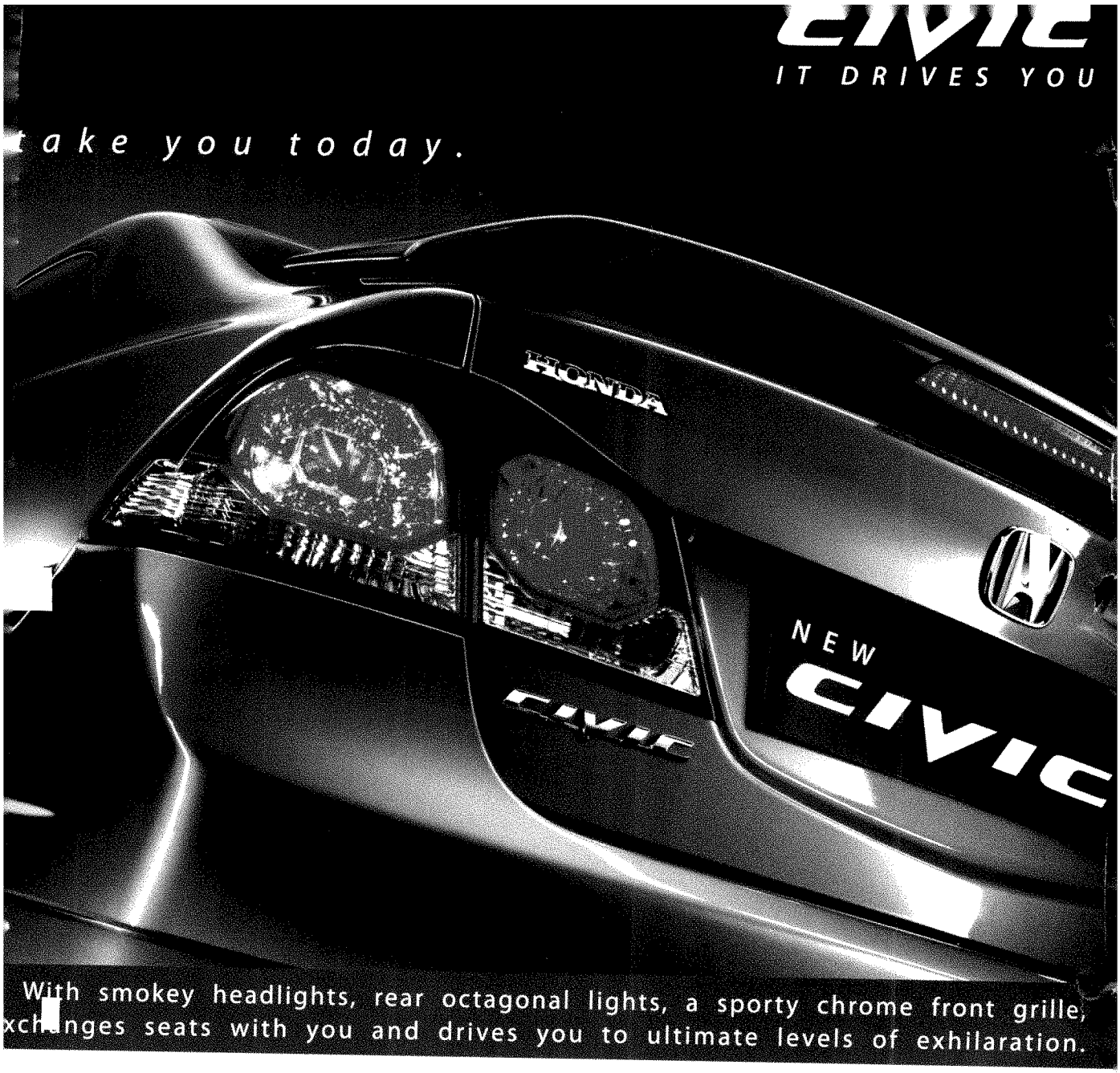

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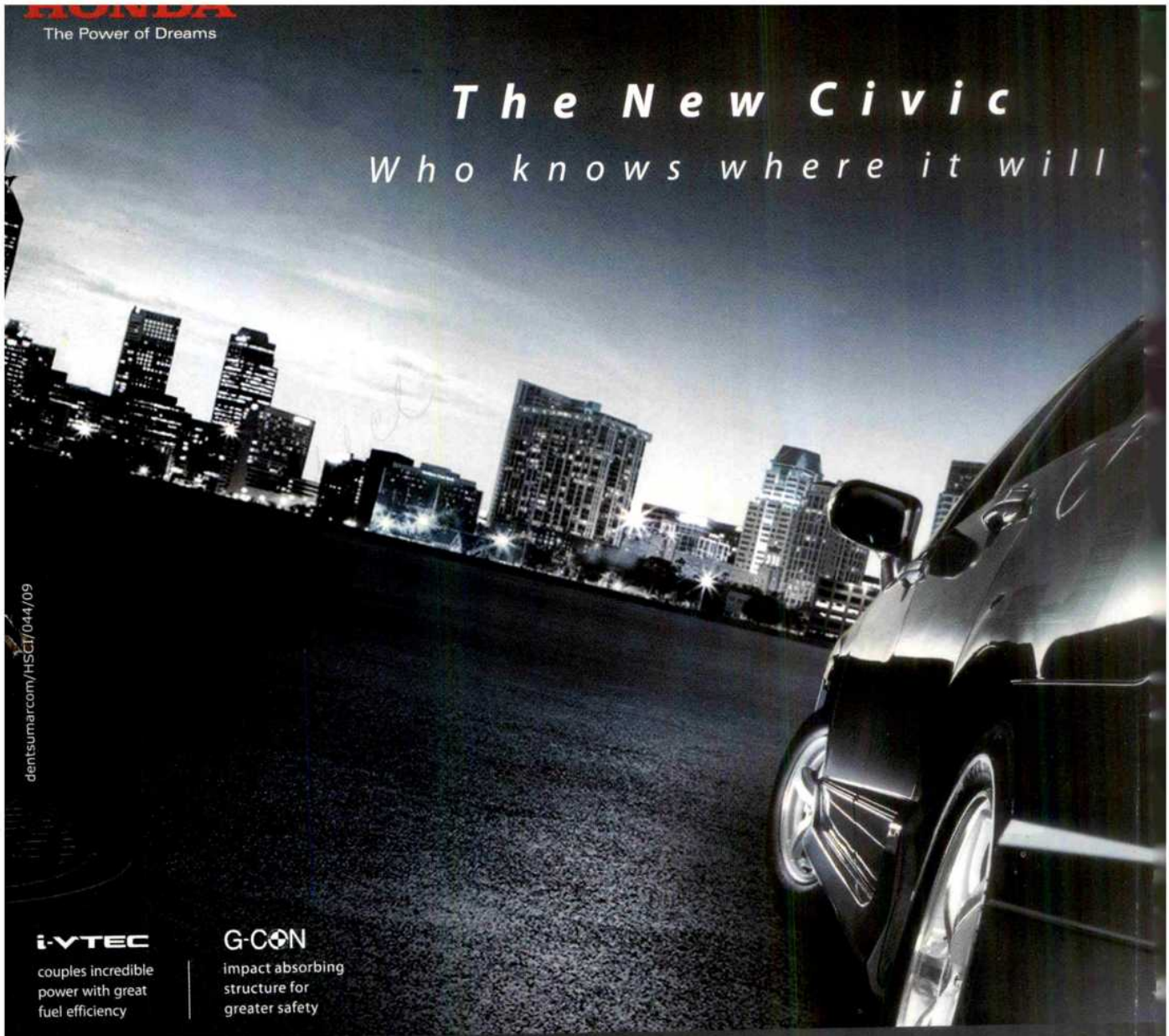

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From the Editor

Rankings fascinate, just as they discriminate. They encourage some, just as they disappoint others. But the anticipation of a ranking excites everybody, no matter how the outcome is eventually perceived. At *Business Today*, we know this very well. After all, over the years, we have mastered the art of rankings. We rank companies, cities, banks, CFOs, entrepreneurs... the list is long. But nothing matches the excitement of our annual B-school rankings. We pioneered these rankings in India and have been reporting on management education well before others discovered relevance and value in it. It's this collective wisdom and experience that we share with you in this issue's cover package (pg 49 to 132). Being the first doesn't give us the right to claim that we are also the best. But we believe our rankings are superior to all others for one fundamental reason: Our ranking methodology is significantly different, fairer and has a lower risk of misrepresentation. For proof, we request you to spend a few minutes in understanding the hows and the whys of our ranking (pg 68) before you turn over to the results (pg 50).

A key differentiator of our approach is our belief that the customer is king. A company may design a product that it thinks is the best, but that's of no value if its customers don't think the same way. A management school, too, is only as good as its customers think it to be. Therefore, BT's B-school ranking is totally customer-driven. With this basic premise, our job was to define the customers (i.e., students, recruiters) as comprehensively as possible and engage with them more thoroughly than anyone else. We think we have done that. And the proof is the depth and diversity of our coverage—not just the main rankings, but also other features that capture issues ranging from the mood on the campus to the state of the new IIMs and a profile of ISB, which enters our ranking for the first time. Don't miss the HBR special on what's wrong with management education. Whether you are a management student (current or aspiring), a teacher or an executive, you will want to keep this issue for reference way after its 14-day life on the newsstands.

Management education is not an end in itself. It's of no avail if it doesn't improve businesses and lives. So even in this special issue focussed on education, we have features that demonstrate the end results. On pg 142 read how one of Tata Group's youngest CEOs has succeeded in making big-ticket global acquisitions work when others within and outside the group were seeing M&As going horribly wrong. The biggest Indian B of all times has never been to a B-school. On pg 136, Amitabh Bachchan tells you why he is betting big on the small screen—yet again.

Rohit Saran

ROHIT SARAN

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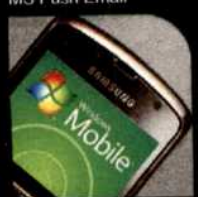

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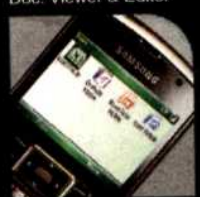

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Gen Next: The Hidden Leaders

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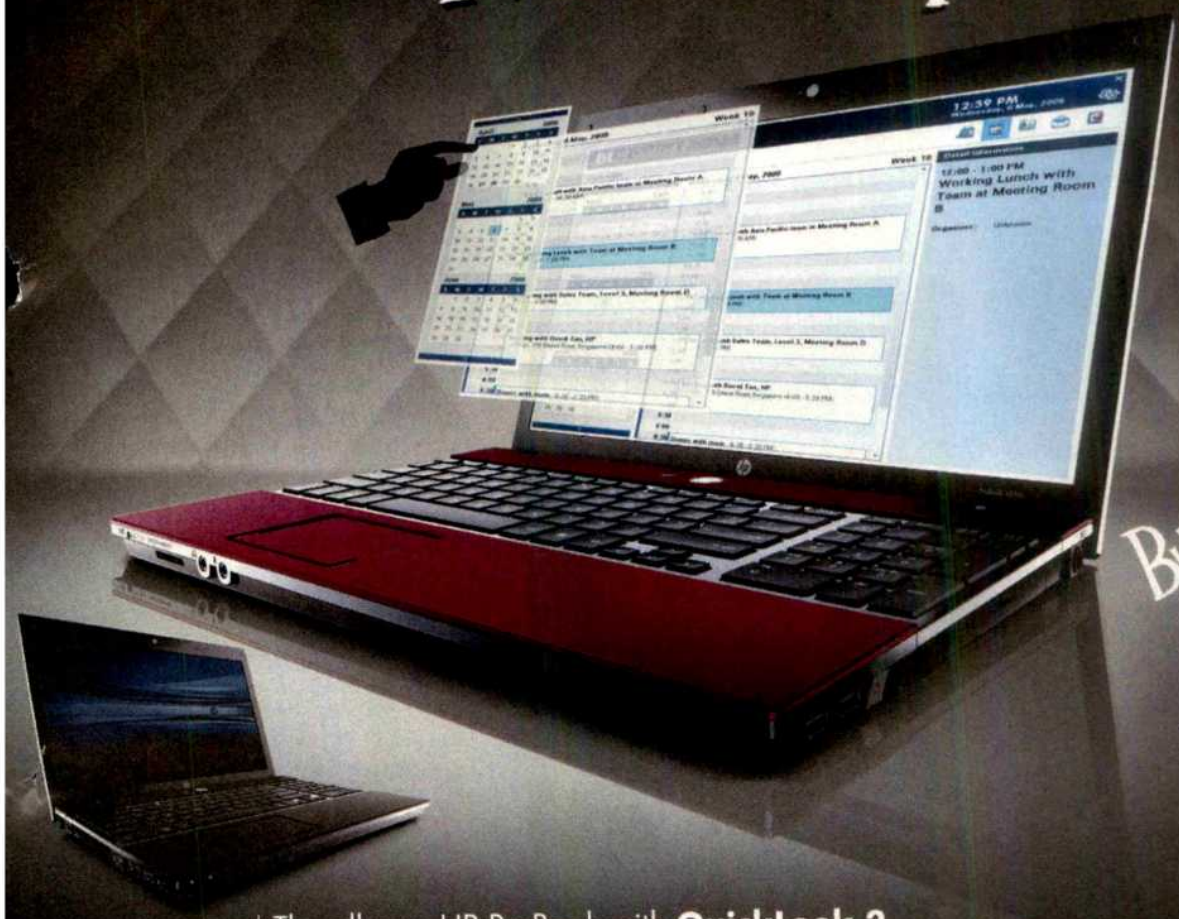

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business today

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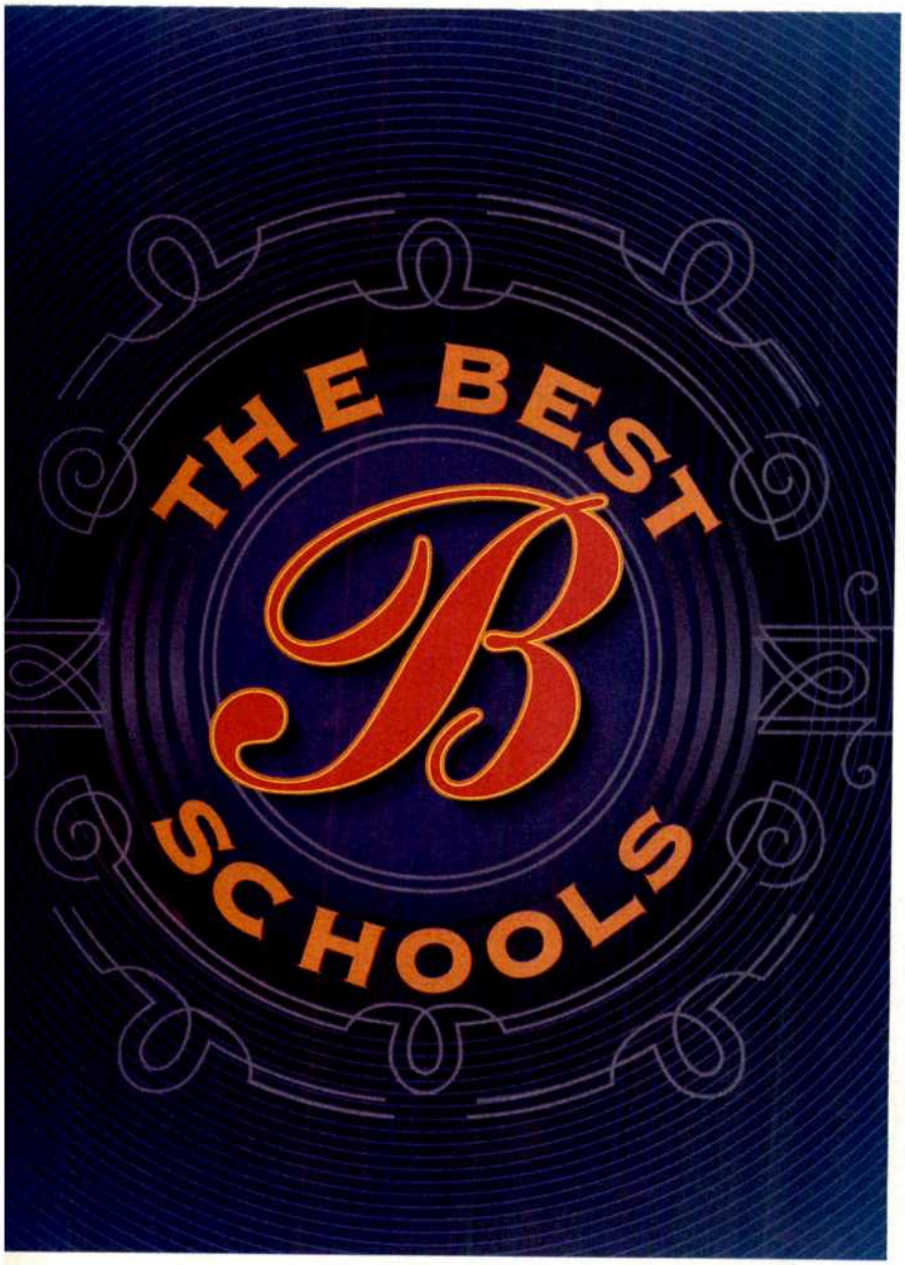

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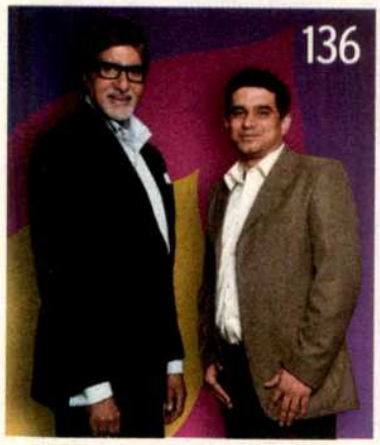

UTILITY AND LEISURE

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Business Bravehearts

Gen Next: The Hidden Leaders (*BT* cover, October 4) proves the confidence of India's middle-rung entrepreneurs. In these tough times when more potent firms in America and Europe are getting clapped out, many of these young firms are right in focussing on organic expansion rather than buy growth from outside. **Pranjal**, *Delhi*

Striding Ahead

Your cover story on India's hidden business leaders is an engaging account of the entrepreneurial mettle of our mid-rung businessmen. I am sure many of them have the talent and wherewithal to lead their businesses into becoming national and even global players. **Saransh**, *Ranchi*

What Cost Education?

Education in India has become a saleable commodity (*The Advent of Edupreneurs*, *BT*, September 20). If you have the money you can become whatever you want to be—a doctor, an engineer, or whatever—merit no bar. Apart from a few, most edupreneurs are out to make money—an accusation, I am sure, they will hotly deny. But who can deny the increasing demand for capitation fee in higher education? **Dilip Joshi**, *Pune*

Deliver on Time

The question of affordable housing will fly only if builders deliver on time. Builders need to realise that buyers have become smarter and now go to great lengths to check the builder's antecedents before taking the final call. **Pankaj Pudke**, *Bangalore*

Talent and Opportunity

Google's 4th Ace (*BT* cover, September 6) is a tribute to Indian talent making a mark globally. Nikesh Arora's ascent shows Indians can rise to the top of global leagues given the right opportunity. The successes notched by the likes of Indra Nooyi, Vikram Pandit and Arun Sarin are no flash in the pan. But I wonder if their talent would have blossomed to full potential in the absence of right opportunities. **Ankit Shah**

Clarification

In the *Golden Harvest* article (*BT*, October 4) Mr Santosh Chandra's designation was given as Director (Trading Operations), Cairn India. His correct designation is Director, Petroleum Engineering & Drilling Operations. The error is regretted.

The Healing Touch

Kiran Mazumdar-Shaw's entrepreneurial prowess is pushing Biocon to accelerate the manufacture of generics and biosimilars (*Biocon's New Vistas*, *BT*, September 20). Her initiatives to broaden the biopharma portfolio are equally admirable. With the incidence of diabetes and cancer increasing alarmingly in India, the government would do well to extend tax concessions and other incentives to companies like Biocon, which plans to bring out newer biopharma formations to fight cancer, arthritis, diabetes and Alzheimer's. **B. Rajasekaran**, *Bangalore*

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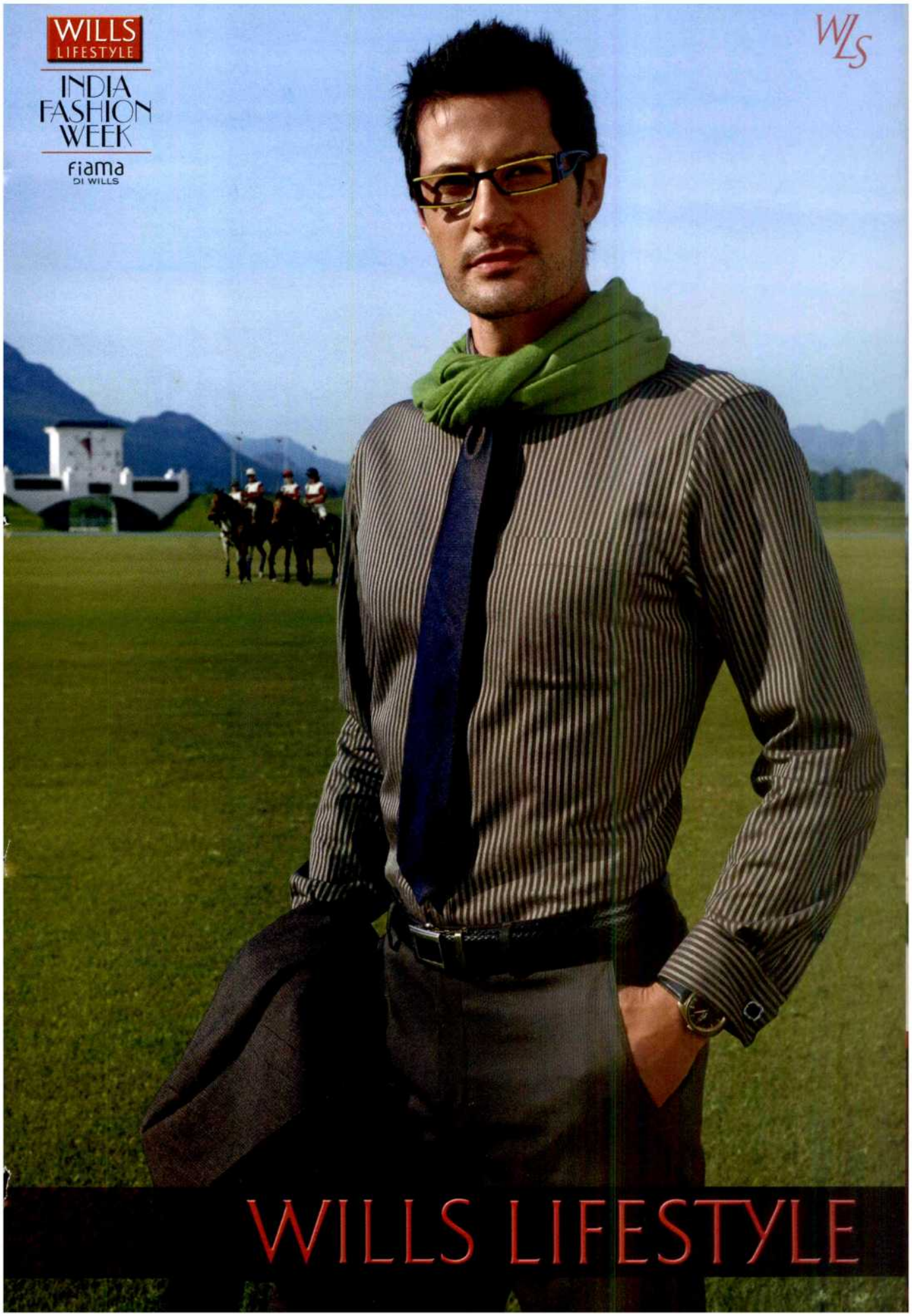
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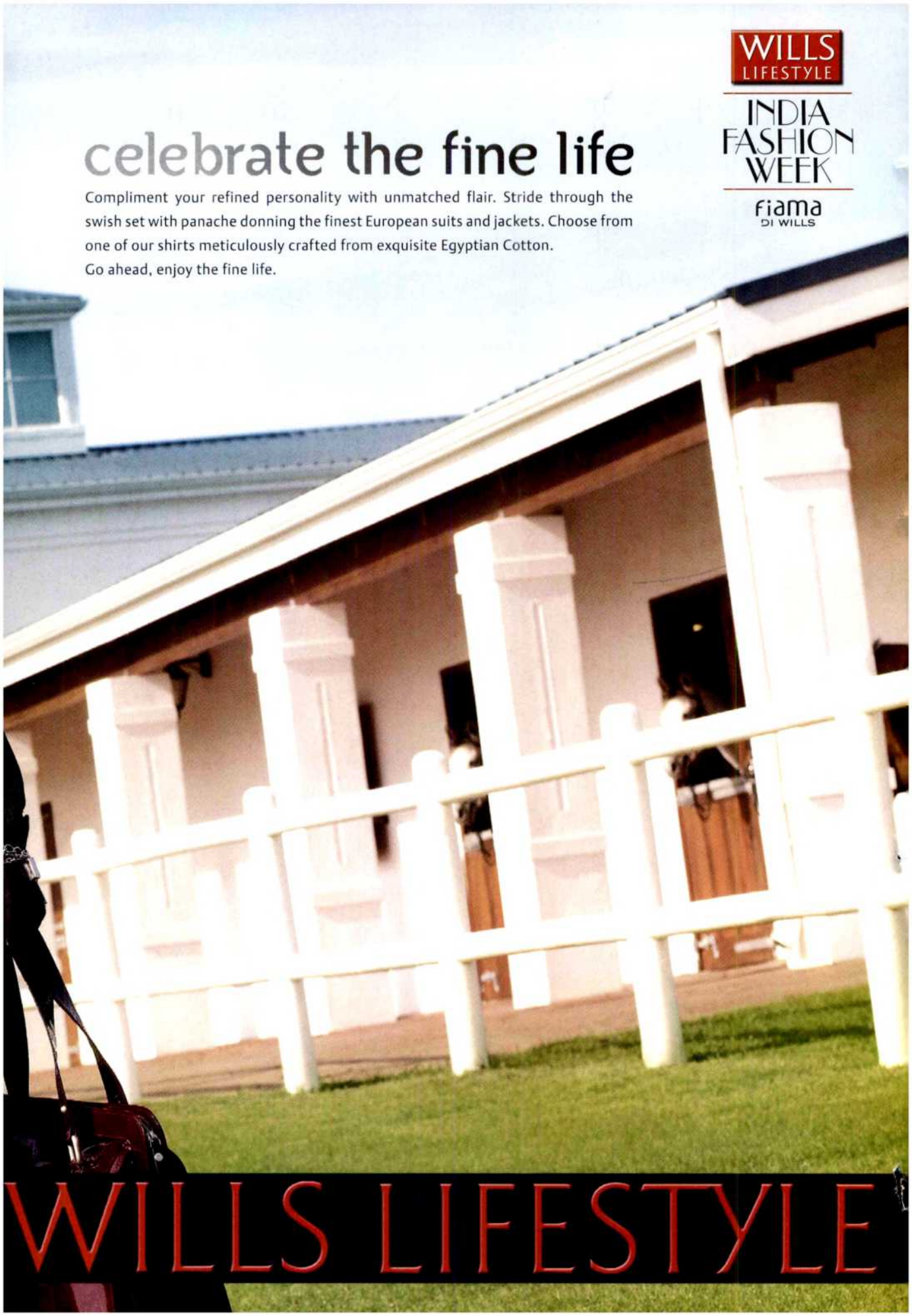
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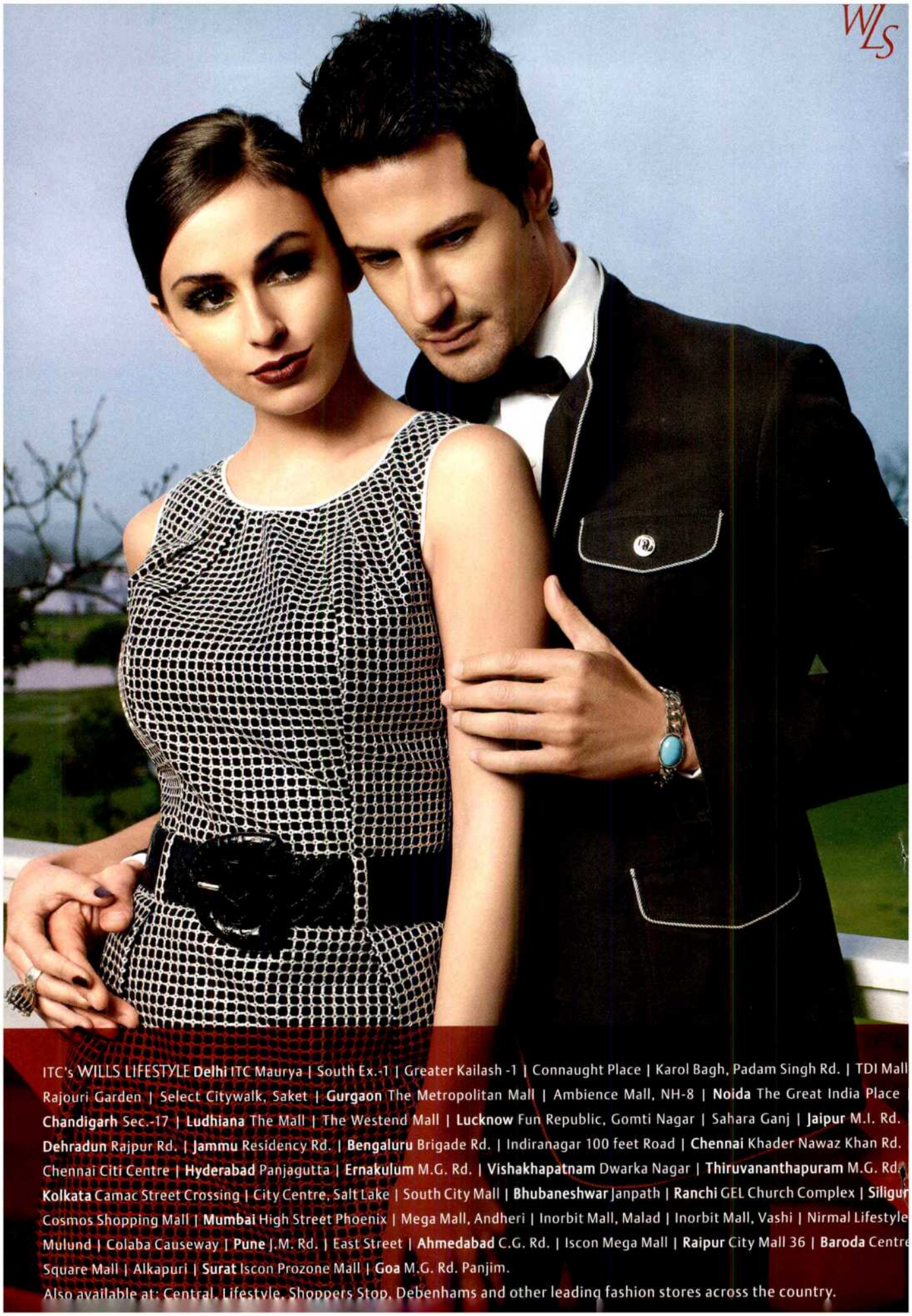

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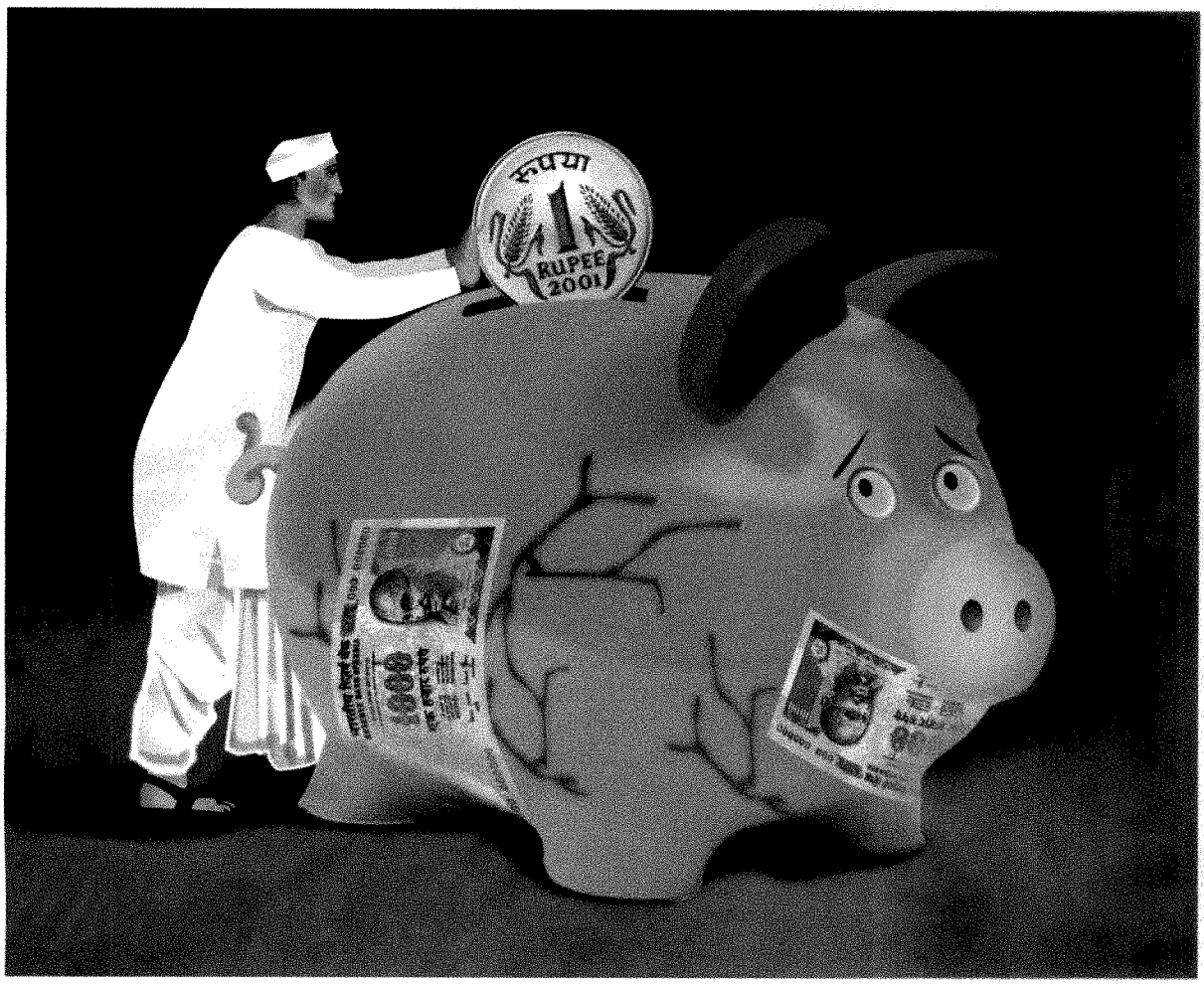

RAMEN SARKAR/www.indiatodayimages.com

Ideas for Real Austerity

The government and the Congress party's recent "austerity" drive has created much debate. *BT* looks at a few practical steps that the government can adopt to actually save money. K.R. BALASUBRAMANYAM

First, the UPA regime had to launch India's biggest-ever stimulus package backed by government spending to boost the economy. Then came the realisation that higher government spending is great, but not if the money goes into five-star accommodation, air travel and foreign trips. Quick! Roll out the austerity measures.

But austerity measures should mean more unused funds in government coffers, not just a circular. Having failed in many previous expenditure reforms, the Congress party and the government are now trying to show that this time it's for real. *BT* looked around, spoke to experts and has some practical ideas:

Use video conferencing, cut travel

Bureaucrats from the states often travel to Delhi to attend official meetings, and those from Delhi fan out to states to check out underlings or centrally-sponsored schemes. (Okay, so what if I dropped into my niece's wedding in Kolkata during the commissioners' conference? The dates coincided!).

So, if it's just a meeting and not a field trip to check out the new crop, use video conferencing. Check out that rarely-used room on the second floor: may be the video conferencing gear installed three years ago still works! This will cut travel bills, save many man-days, and help increase India's broadband penetration.

Low-cost flying doesn't mean only Air India

The Finance Ministry has said that government officials travelling by air on work must fly Air India, even if the national carrier does not connect their destination (in which case they are required to fly to an Air India touchdown point closest to their destination, then, for the last leg, use an airline that has a tie-up with Air India). You guessed it. It's costlier than Jetting there. Flying low-cost airlines will save money and time.

Lease vehicles, don't own them

Every IAS officer wants it. Every IPS officer lusts for it. An air-conditioned white Amby, or a macho 4x4. Fine. But why should the government end up owning hundreds of cars and paying salaries and pensions to similar number of drivers? And pay for the petrol the driver will pilfer anyway to recover the bribe he paid to get the job? Take cars on lease to begin with for the lowest rung of eligible bureaucrats. Carmakers will sell more cars at market rates, and a clerk somewhere will have to be bribed to pass the bills. The government can also encourage its bureaucrats to use their own cars and get an attractive allowance for it.

Abolish Legislative Councils

Quite a few Indian states like UP and Bihar have a bi-cameral legislature. These states can follow the majority of Indian states by abolishing the Legislative Council or Upper House just like Tamil Nadu did in 1986. Legislative Councils, in any case, can't make laws, and can at best contribute to the debate. The Council is one-third of the size of the Legislative Assembly of that state and its members are entitled to same pay and perks as MLAs. The abolition of Upper Houses would not just lead to quicker decisions but will also save a mountain of taxpayer's money.

Biometric attendance

For livelier debates and greater value for money, why not install biometric attendance systems in Parlia—oh, well, spike that. Why upset a holy cow in the festival season?

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Fight Over Oktatabyebye.com

What's in a name? Everything—especially if it is a brand fighting for its domain, as happened to be the case with Tata Sons that had raised objection to a Gurgaon-based travel portal MakeMyTrip creating a site called oktatabyebye.com. In a judgment delivered recently, the World Intellectual Property Organisation (WIPO) has ruled in favour of Tata Sons, asking MakeMyTrip to transfer the domain to the former. The judgment noted that MakeMyTrip was not able to show why it needed to use the domain name in connection with offering goods or services.

This is by no means the first time that domain names have landed companies in trouble. In 2004, Satyam Infoway had successfully appropriated its right to the brand "Sify" when a company called Sifynet Solutions registered a domain name siffynet.com for itself. Then the Supreme Court had ruled in favour of Satyam, observing that people were likely to be mistakenly diverted to the wrong domain thinking they were going to Satyam's offering.

Tata Sons had raised objection to a Gurgaon-based travel portal MakeMyTrip creating a site called oktatabyebye.com

Legal View: The recent ruling has led to considerable debate in the legal fraternity. MakeMyTrip has appealed in the Delhi High Court and the general view is that the concern of Tata Sons is not entirely valid as the term "TaTa" is also a colloquial way of saying "goodbye": "It is a phrase that is commonly used in India. The likelihood of anyone confusing it with the company name is remote," feels Anuradha Salhotra, Partner, Lall Lahiri & Salhotra. "If the oktatabyebye is using goods and services similar to that of the Tata Group, then it is a threat. But the important thing is that this phrase does not appear as a standalone, but is part of a well recognised phrase," says Salhotra. Hence, in many ways the ball is in Tata Sons' court as it has to establish how the phrase may actually lead to confusion, she says.

SHAMNI PANDE

JARGON BUSTER

Trading Up

What it means: This much used (and abused) phrase basically means to increase the number of features in a product, or backing it with a superior level of service to justify a higher price. Similarly, when features are reduced to suit a customer's demands, it's called "trading down".

How it's used: An article on the website smartmoney.com tells readers: "Trading up gives you a wider seat, plus another five to seven inches of leg room." And yes, the article was discussing airline seats in the business class vis-à-vis economy class.

What to use instead: In this context, it would probably be easier to use the term both airlines and techies use: "upgrading" instead of trading up.

RAMEN SARKAR

POOR(ER) CEOS!

The recession in the US did not spare even the very well-entrenched CEOs. Between June 1, 2008 and June 18, 2009, as many as 373 US public companies reduced their chief executives' base salaries, including 68 firms that figured in the *Fortune* 1,000 Index, making them poorer by several thousand dollars every month.

The 10 largest (by revenue) US public companies, where CEO pay cuts took place, were:

Company	Rate of Reduction
General Motors	Reduced to $1
Ford Motors	30%
Sears	$50k
FedEx	20%
American Express	10%
Motorola	25%
Eaton	6 weeks' pay
Continental Airlines	Reduced to $0*
EMS	15%
Cummins	10%

*for Q3 and Q4 of 2008 Source: Equilar

Anurag Bhargava, Chairman, IREO

JITENDRA SHARMA

X Man Cometh

The teaser advertisements with the huge X that have come up across India have whetted popular curiosity about the identity of the advertiser. Turns out this new real estate kid on the block, with a kitty of nearly $2 billion, is, indeed, a mutation—of a private equity fund into a realty pasha. IREO (formerly Indian Real Estate Opportunities Fund) has quietly been garnering land assets, which today stand at 3,000 acres across seven cities. "We were not market-ready and wanted to get our dynamics in place before executing projects," says Anurag Bhargava, Chairman, IREO, justifying the delayed entry despite having started operations in 2005-06.

He does admit that the timing of acquisition was not quite optimum. "The markets were clearly overheated in 2007 and we might have paid more for acquiring assets," he concedes. Which is probably why the company went off the deals radar in 2008. Not that Bhargava is unduly worried, backed as he is by financial powerhouses like JPMorgan Chase and educational endowments from the likes of Stanford University.

IREO's first major project, the Grand Arch, which is coming up over 20 acres of land in Gurgaon, and is scheduled to be completed in 2012, will house 842 units. The starting price has been pegged at Rs 4,550 per square feet, which may be a little high but given Bhargava's private equity antecedents, he's more than willing to gamble on that.

TEJEESH N.S. BEHL

Who's Putting in the Money

Global financial institutions, including JPMorgan Chase, TPG-Axon, Citadel Investment Group and Tiger Partners; Sovereign Wealth Funds such as Temasek; University endowments such as Stanford University, University of Minnesota and University of Notre Dame, among others, have invested in IREO. HNIs such as the Getty Family and Chris Hohn as well as global real estate developers, like Stephen Ross, the Reichmann Family and the Taubman Family, are also backing IREO.

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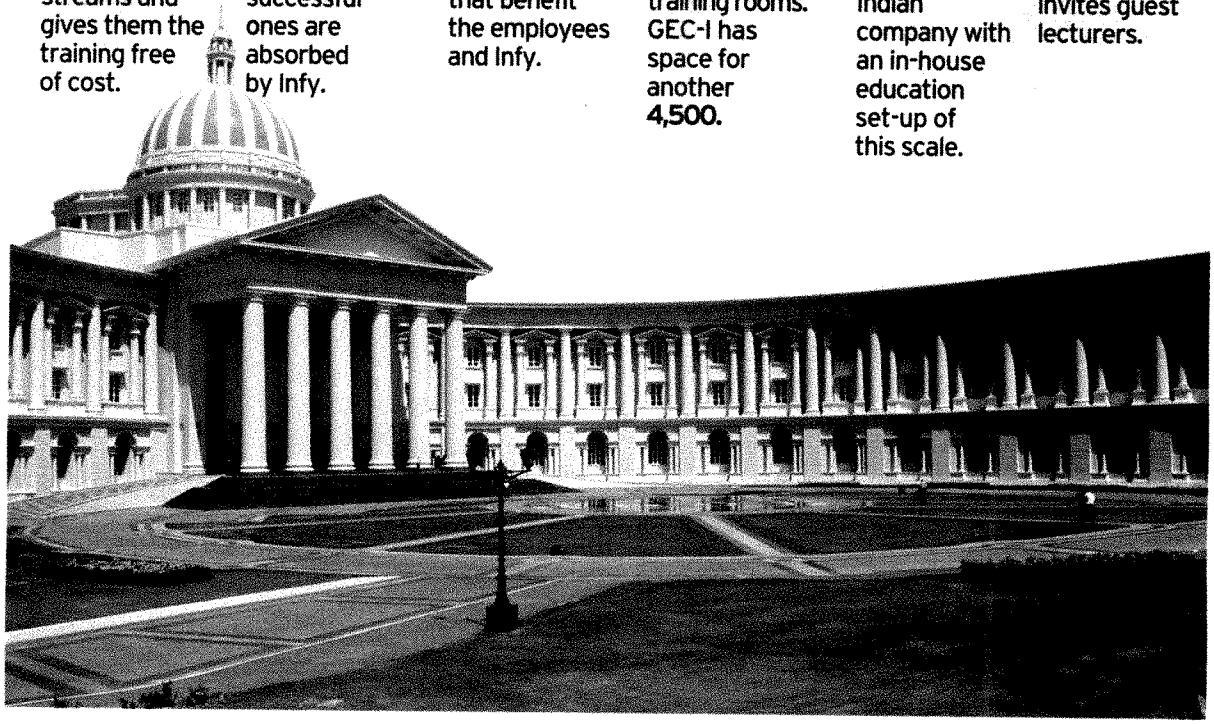
Rebooting Education, Infosys Style

While everyone may be talking about the mammoth size of Infosys' new Global Education Centre in Mysore, what's truly remarkable is: how Infy is using this centre to train and prepare several thousand graduates each year, to become future stars at Infosys. What the tech giant aims to gain out of this excercise is to plug the gap between bookish knowledge one receives in college and Infy's specific needs. All students get residential facilities as industry stalwarts as well as full time faculty members prepare them for the real world.

K.R. BALASUBRAMANYAM

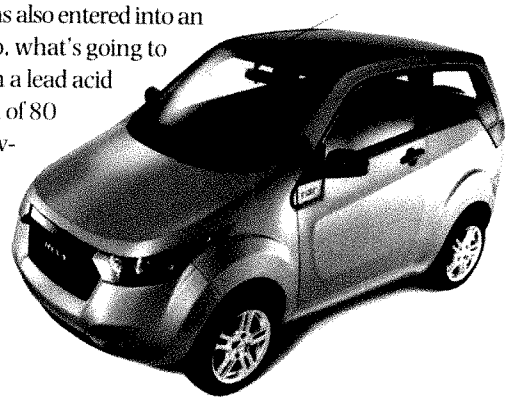
- Infy makes job offers to students from computer engineering and other streams and gives them the training free of cost.
- All candidates undergo **6-month** training in programming skills and successful ones are absorbed by Infy.
- The Training is in technical areas. Students develop multiple skills that benefit the employees and Infy.
- GEC-II alone can accommodate **9,500 trainees** in its 95 training rooms. GEC-I has space for another **4,500.**
- It cost Infy **Rs 2,055** crore to develop the campus. It is the only Indian company with an in-house education set-up of this scale.
- The campus has **350** faculty rooms. It employs full time faculty as well as invites guest lecturers.



REVA Recharged

Imagine an electric car that can be recharged instantly by calling or SMSing a 24/7 call centre! REVA, the Bangalore-based Indian car maker whose electric vehicles (EV) have been on Indian roads for a decade, has just announced the launch of a new generation car at the Frankfurt Auto Show—NXR. REVA has also entered into an agreement with General Motors to develop the EVs. So, what's going to be new? The NXR, slated for a 2010 launch, will run on a lead acid battery giving a range of 80 km per charge and a top speed of 80 kmph. The three-door, four-seater hatchback will also have the lowest dust-to-dirt carbon footprints of any car in mass production.

But the best part will be the REVive technology, a feature that addresses "range anxiety" in consumers. If a car runs out of charge, the driver can call or SMS the REVA Customer Support Centre and a remote charge will enable the vehicle to continue driving within a few minutes. KRB



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This Minister Wants Less Power

It's not often that a minister in India willingly gives up some of his powers. Minister for Environment and Forests Jairam Ramesh rather enthusiastically hopes to do just that. Last fortnight, he announced that he would like to substantially reduce government control over issue of clearances for setting up industries and transfer these powers to a new independent regulator —the National Environment Protection Authority, while simultaneously throwing open to debate the various alternative ways of doing so. The Minister's bold decision is sure to create ripples in the bureaucratic and political circles and be a welcome change for the corporate sector. Jairam's idea might also end up contributing to cleaning up the environment.

PUJA MEHRA

PROPOSED TRIFURCATION

Ministry of Environment & Forests

Core Functions

- Legislation & Policy
- Parliamentary Matters
- Implementation of Central Schemes
- Centre-State Issues
- International Cooperation and Negotiations
- Education
- Centres of Excellence

National Environment Protection Authority

Compliance & Enforcement

- Monitoring of Environment Clearances (currently with MoEF)
- Monitoring of Pollution Standards (currently with CPCB)

National Green Tribunal

Specialised Tribunal for Adjudication

However While the above trifurcation should happen without a hitch, these are options for the future role and existence of CPCB:

OPTION 1

MoEF handles **Central Pollution Control Board & Regulatory (Environment Clearances)** and a National Environment Monitoring Authority (NEMA) is created that simply focusses on compliance & enforcement.

OPTION 2

MoEF sticks to its core functions and transfers **Central Pollution Control Board & Regulatory (Environment Clearances)** to National Environment Protection Authority (NEPA) into which the functions of the Central Pollution Control Board are subsumed. It also looks at R&D.

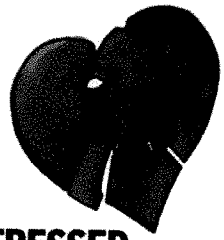
OPTION 3

A NEPA is created and a separate **Central Pollution Control Board** continues to report to **Ministry of Environment & Forests**. So MoEF retains **Central Pollution Control Board**, but transfers **Regulatory (Environment Clearances)** to NEPA.

OPTION 4

A NEPA is created and **Central Pollution Control Board & Regulatory (Environment Clearances)** are transferred to it. A separate **Central Pollution Control Board** reports to it.

Central Pollution Control Board does the following: Development of Standards, Ambient Quality Monitoring, Technical Studies & Research.
Regulatory Environment Clearances include: Granting Environmental & CRZ Clearances (currently with MoEF)



STRESSED INDIANS RISK HEART PROBLEMS

Over 52 per cent young men between 30 and 39 years show abnormalities in their lipid profiles.

Men are at far greater risk than women. One in every two men (the ratio for women: one in every five) is at risk with an unfavourable Total Cholesterol: HDL ratio.

Maharashtra, Gujarat and Tamil Nadu top the risk list with more people having all three indicators (LDL, TGL and HDL) above acceptable levels than any other state.

Kolkata is the only city with a healthy proportion of people with a good lipid profile.

The financial capital of India—Mumbai—has the highest number of men in the high risk group.

Source: The Saffola Life Study 2009

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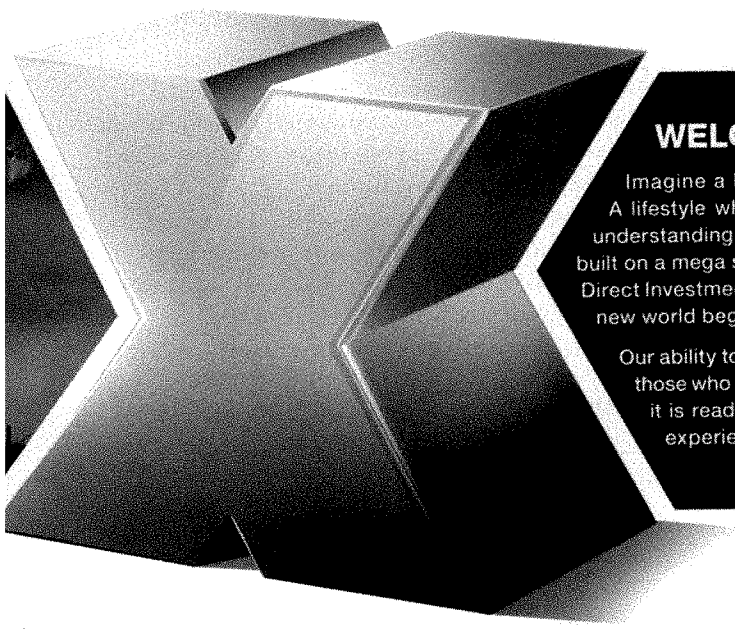

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McCann/IREO/09

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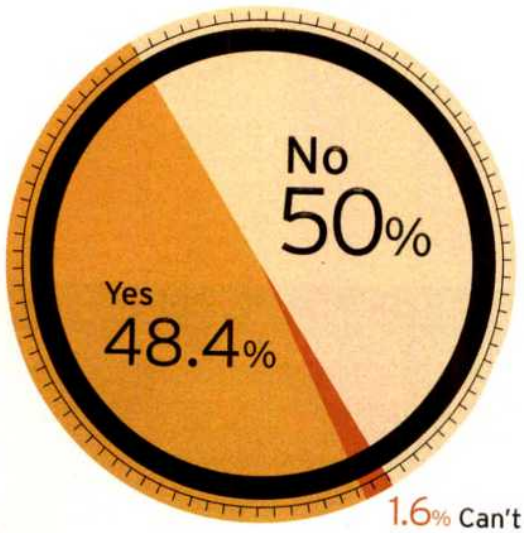
Q Should education be declared a "for profit" activity?



Results of *BT* Online poll: No. of respondents: 434

I think corporatisation will make our education system more effective. Education is considered a social sector, but in the last few years, there has been a clear shift. If we want to make the system robust, the need of the hour is to make it a "for profit" activity. However, corporatisation should be done with significant amount of controls.

Anand Sudarshan
MD & CEO, Manipal Education

The real issue is to create an environment of productivity and efficiency in the sector so that not only do more players come forward but more resources and manpower also become available. Reforms are needed to improve the educational system. If this happens, then Indians will have access to quality education at all levels.

Ajey Kumar
Country Head, GEMS Education

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Compiled by Manu Kaushik

DEEPAK G. PAWAR

Betting Big on India

EMC, the $15-billion vendor of IT storage solutions and software, has been somewhat of a laggard in the Indian market. It started its centre of excellence here only in 2003, well after global peers had invested heavily and unveiled big-ticket India plans.

Now as the world tackles the recession, EMC has stepped on the gas. "India is among our three fastest-growing markets globally," David Goulden, CFO of EMC, said on a recent visit to India. The company's India R&D centre develops compete solutions from here. The $400-million Indian storage market is expected to grow by 13 per cent annually till 2011.

"The problem we need to deal with is that storage requirements are growing by 50 per cent annually, even though IT budgets are growing by 10 per cent," he says. The company plans to focus on small businesses to expand in India—where its business has grown five-fold in the past five years—and use its $1.5-billion investment to expand its revenues from the Asia Pacific market, which accounted for 13 per cent of its overall revenues in 2008.

RAHUL SACHITANAND

Investment flow from Global Tech Giants in India

	Investment	Year	Purpose
IBM	6	'06	Across all business units
Cisco	1.1	'05	New globalisation centre
Intel	1	'05	Expand local ops
SAP	1	'06	Expand R&D and marketing
Microsoft	1.7	'05	Set up offices in 33 cities
EMC² where information lives	1.5	'09	New R&D campus

All figures in $ billion

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A STAR ALLIANCE MEMBER

"The Lehman thing I still don't understand, even to this day, exactly what the transaction was"

Warrren Buffett,
CEO, Berkshire Hathaway, to CNBC

"We are very honestly overhired. There is a very slight blip of activity, but there is nothing to tell me it (a recovery) is secular in nature"

S.D. Shibulal, *Chief Operating Officer, Infosys Technologies (which employs more than 100,000 people), to* Reuters

HEMANT CHAWLA

"There is no partnership between the Centre and states. Solutions are needed quickly"

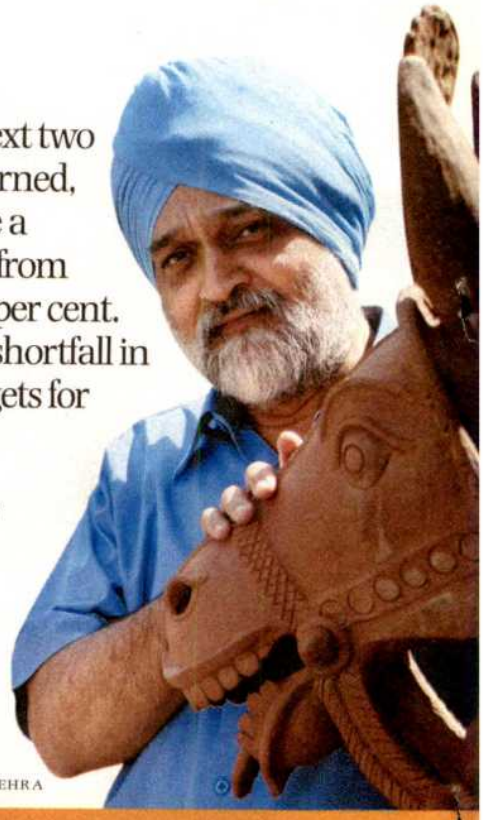
Kapil Sibal,
Union Human Resources Development Minister, addressing the India Today *Conclave*

"I saw change in India, a realisation that Doha is important, that a global trade deal would have a hugely positive impact on world trade"

Mervyn Davies, *Trade Minister, UK, when asked about India's stance on Doha (trade talks), to* Agencies

"As far as the next two years are concerned, we expect to see a sharp rebound from the level of 6.3 per cent. There will be a shortfall in the growth targets for the 11th Plan"

Montek Singh Ahluwalia,
Deputy Chairman, Planning Commission, in Mint



VIVAN MEHRA

CLASSIC BUSINESS QUOTE

"The successful man will profit from his mistakes and try again in a different way"

Dale Carnegie, *Writer*

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What GDP Doesn't Tell

At a time when India is tracking gross domestic product (GDP) growth and all that can influence it even minutely with near-compulsive obsession, French President Nicolas Sarkozy has asked world leaders to junk the fascination for the indicator. In a speech on the first anniversary of the collapse of Lehman Brothers, he invited them to join a "revolution" in the measurement of economic progress to account for factors such as healthcare availability and leisure time.

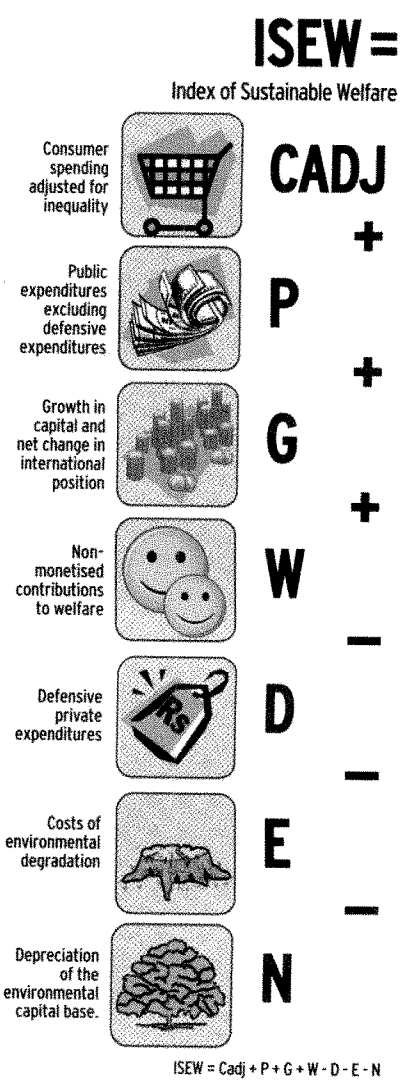
He also released a report by two Nobel Prize-winning economists—Joseph Stiglitz and Amartya Sen—that recommends looking at household income, consumption and wealth rather than national production for a better reflection of material living standards. Sarkozy's comment and the report has brought back focus on the long-held view that GDP can't measure economic welfare.

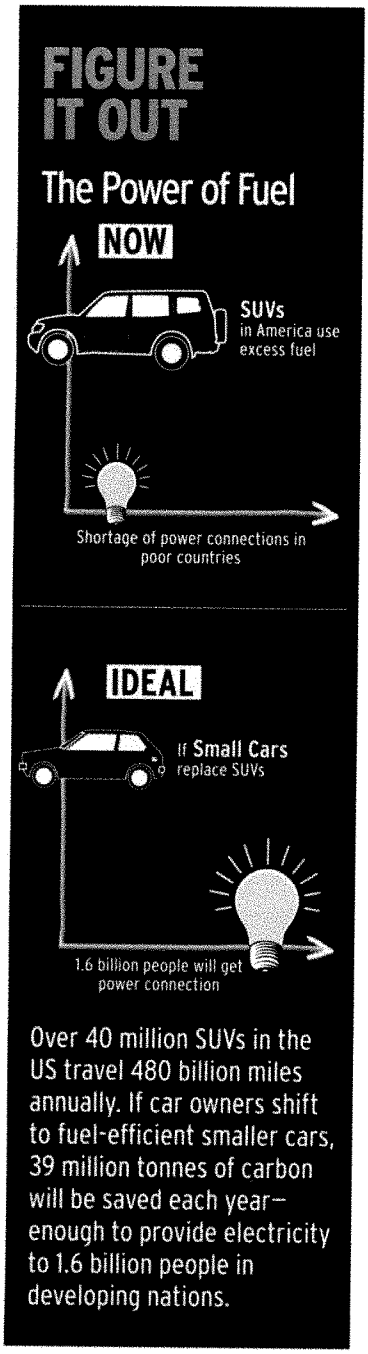
The Stiglitz-Sen report has compiled all previous works in the field. The report, for instance, quotes a study by Professor Richard Easterlin to suggest that in spite of a 30 per cent increase in the American GDP per head between 1972 and 1993, the share of individuals who were "very happy" did not increase. Economists call this lack of correlation the Easterlin paradox.

Instead of GDP, a better measure of welfare, observe Stiglitz and Sen, is household consumption. In 1989, Herman Daly and John B. Cobb fine-tuned this concept, proposing the index of sustainable welfare (ISEW). Unlike GDP, which simply adds together all expenditures, ISEW balances consumer expenditure by such factors as income distribution and cost associated with pollution and other unsustainable costs.

France, the leisure vacationer's paradise, has all the reasons to take the lead in shifting to such a measure for economic welfare. As does India with its vast force of home makers-cum-managers, whose contribution to economic welfare GDP overlooks.

PUJA MEHRA





Source: World Bank

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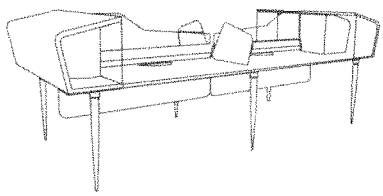

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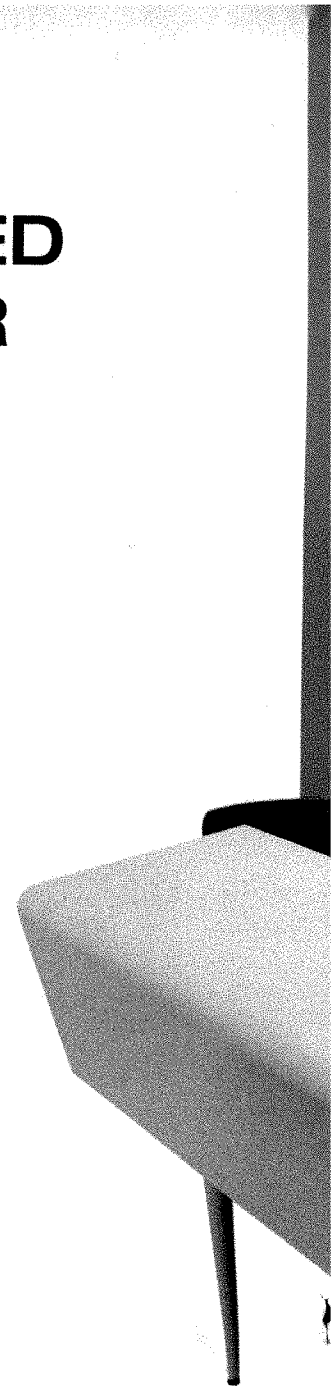


LAW & KENNETH/GI/676/09

SMS <GISBT> space <PINCODE> to 55050 for store locator. SMS <INTERIORS

Godrej interio

BT-TAM Most Watched Ads In August 2009

Lifebuoy Total GRPs 1,126

1 Rank

Seconds on air: 3,70,490

Airtel Digital TV GRPs 1,050

2 Rank

Seconds on air: 4,46,735

Airtel Cellular Phone Service GRPs 1,009

3 Rank

Seconds on air: 4,65,310

Fair & Lovely Multivitamin GRPs 887

4 Rank

Seconds on air: 2,87,300

BSNL Corporate GRPs 856

5 Rank

Seconds on air: 1,87,365

Axe Dark Temptation GRPs 729

6 Rank

Seconds on air: 3,36,220

Kinley Mineral Water GRPs 723

7 Rank

Seconds on air: 4,31,710

Castrol Activ 4T GRPs 697

8 Rank

Seconds on air: 1,78,490

Fair & Lovely Anti-marks Cream GRPs 694

9 Rank

Seconds on air: 3,20,000

Parachute Advansed GRPs 693

10 Rank

Seconds on air: 2,55,955

Finally, an old favourite has come on top in the *BT*-TAM most watched ads list. Lifebuoy Total has inched up from its 5th slot in July to the No. 1 rank in the August list. Otherwise the constituents of the list have pretty much remained the same with a few of them trading ranks. Kinley Mineral Water and Parachute Advansed are the only new entrants this time in the top-10. Chances are that one would not have to jog one's memory too hard to recollect watching these ads. Whether one liked them, or not, is, of course, a different story.

THE OTHER FIFTEEN

RANK/BRAND		GRPs
11	Airtel Cellular Phone Service	678
12	BSNL 3G	657
13	Rin (New Flavour)	650
14	Surf Excel Washing Mat Range	637
15	Garnier Fructis Fall Fight	633
16	HDFC Standard Life Children's Plan	626
17	Clinic Plus Strong & Long	602
18	Clinic All Clear Tech Soft	617
19	Stayfree Secure	597
20	Sun Direct	588
21	Idea Cellular	587
22	Colgate Dental Cream	584
23	Horlicks	572
24	Asian Paints Royale Luxury	570
25	Sunsilk Thick And Long	560

MOST WATCHED ADS IN JULY '09

1 Idea Cellular **2,038** 2 Fair & Lovely Multivitamin **1,249** 3 Sun Direct **1,170** 4 Airtel Cellular Phone Service **1,000** 5 Lifebuoy Total **877** 6 Bajaj XCD 135 DTS-Si **853** 7 Pureit Water Purifiers **815** 8 Castrol Activ 4T **807** 9 Axe Dark Temptation **790** 10 Dettol Toilet Soaps **766**

Source: TAM People Meter System
All India CS 4+Yrs GRP normalised to 30 secs
Aug. 2009 To see ad duration, visit www.businesstoday.in

MELBOURNE
AUSTRALIA
visitmelbourne.com/in

Now experience the A380 with our all-in price at exceptional value - Melbourne from **INR 43,000** return. Tickets must be purchased by 22 October 2009 for outbound travel from India between 15 October and 15 December 2009. Other conditions apply.

SINGAPORE AIRLINES
A great way to fly
A STAR ALLIANCE MEMBER

NUMBERS OF NOTE

300mn

The total number of Facebook users as of September 2009. The social networking site also turned profitable in the second quarter of 2009, according to a message from the site's Founder and CEO Mark Zuckerberg

$1.7 trillion

Financing that India will require over the next decade in order to meet its infrastructure needs, including doubling its electricity capacity, increasing length of paved roads, railways, irrigation, ports and airports, according to Goldman Sachs.

Rs 79 crore

The amount of money Indian Oil Corp. (IOC) is losing per day on selling auto and cooking fuel below cost.

275 million

The number of (Indian) subscribers who will use 3G-enabled services by 2013, according to Evalueserve, a provider of knowledge process outsourcing (KPO) services.

"Our Agriculture Business in India Will Double in Five Years"

DuPont Group Vice President **James Borel**, *Global Head of all DuPont's Agriculture & Nutrition businesses, was in India recently. He spoke to* **E. Kumar Sharma** *on what agriculture and nutrition mean for DuPont and where India fits in the company's overall growth strategy. Excerpts:*

DuPont has just acquired the cotton seed business of Nandi Seeds and cotton germplasm from Nagarjuna Seeds. How does it fit into the overall strategy of DuPont?

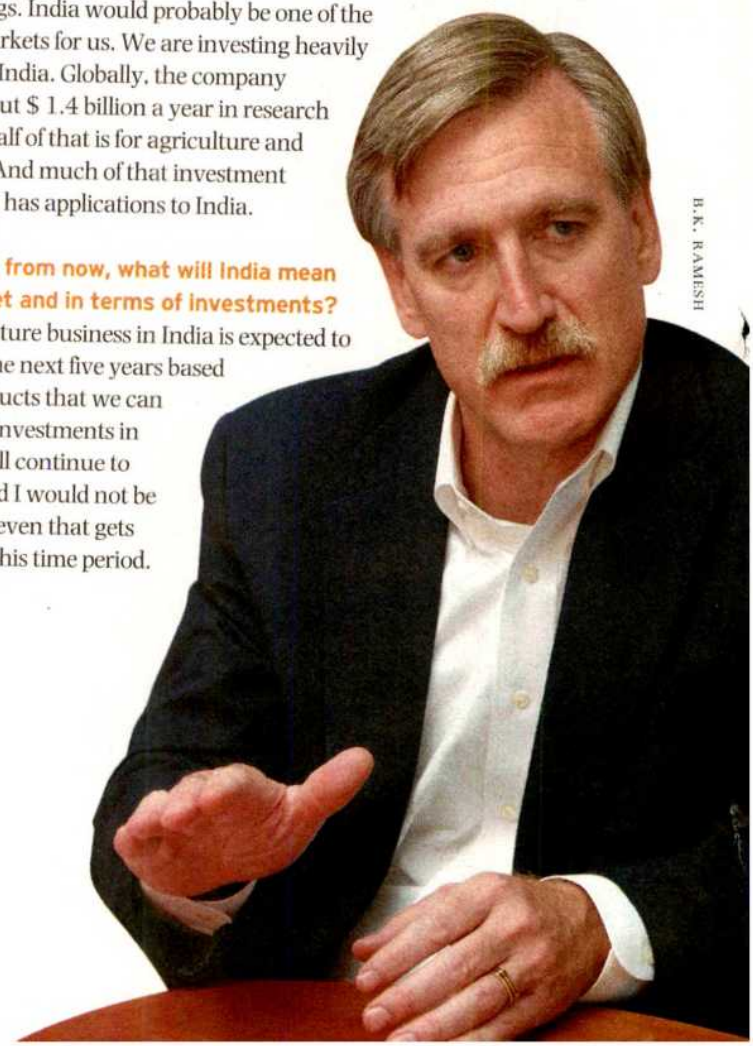
These two acquisitions in India represent our first foray into the cotton market. It is a very important crop for the Indian market and we think we can make a difference with our breeding and biotechnology capability and help farmers improve quality and yields.

How significant is agriculture and nutrition for DuPont and what role is India playing in these segments?

In normal times, the agriculture and nutrition businesses are over a quarter of DuPont revenues. This year, they will be over 40 per cent of the earnings. India would probably be one of the top five markets for us. We are investing heavily to grow in India. Globally, the company spends about $ 1.4 billion a year in research and over half of that is for agriculture and nutrition. And much of that investment in research has applications to India.

Five years from now, what will India mean as a market and in terms of investments?

Our agriculture business in India is expected to double in the next five years based on the products that we can bring. Our investments in research will continue to increase and I would not be surprised if even that gets doubled in this time period.



B.K. RAMESH

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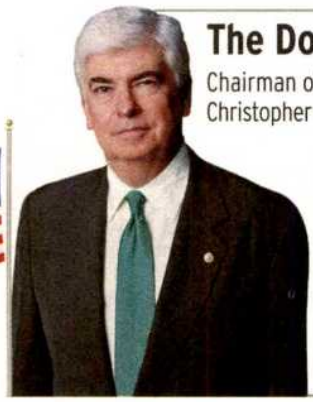
Do We Need Multiple Banking Regulators?

The world is just coming out of the biggest financial crisis in decades. And in the US, where it all began, the Obama administration is about to undertake a comprehensive financial restructuring plan. Possibilities of merging different banking regulators are being debated in the Senate. Some Indian experts have advocated making the RBI as regulator of the last resort, while there are also moves like Finance Minister suggesting separating the debt management function from RBI to a separate agency. ANAND ADHIKARI

What the US Is Mulling



The Dodd Plan

Chairman of the US Senate Banking Committee, Christopher J Dodd, wants one super agency by merging:

Federal Reserve +

Office of Thrift Supervision +

Federal Deposit Insurance Corp. +

+ Comptroller of the Currency

The Obama Plan

Merger of two of the four bank regulator agencies.

Office of Thrift Supervision

+

Comptroller of the Currency

Federal Reserve: Supervises the US banks and does monetary management.
Office of Thrift Supervision: Regulates savings and loan associations and also holding companies like General Electric or AIG.
Federal Deposit Insurance Corporation: Protects the interest of depositors.
Comptroller of the Currency: Supervises the national banks and also branches of foreign banks in the US.

What India Can Do

RBI + DICGC

Follow the Dodd Plan. Merge the supervisory agencies: the Deposit Insurance & Credit Guarantee Corp. (DICGC) and RBI.

RBI + CCI

RBI will continue to monitor big banks' mergers. The Competition Commission of India can also investigate anti-competition practices, including those of banks.

RBI + NTMA

There is no merger here. The FM has suggested separating the debt management function from RBI by creating a separate National Treasury Management Agency (NTMA).

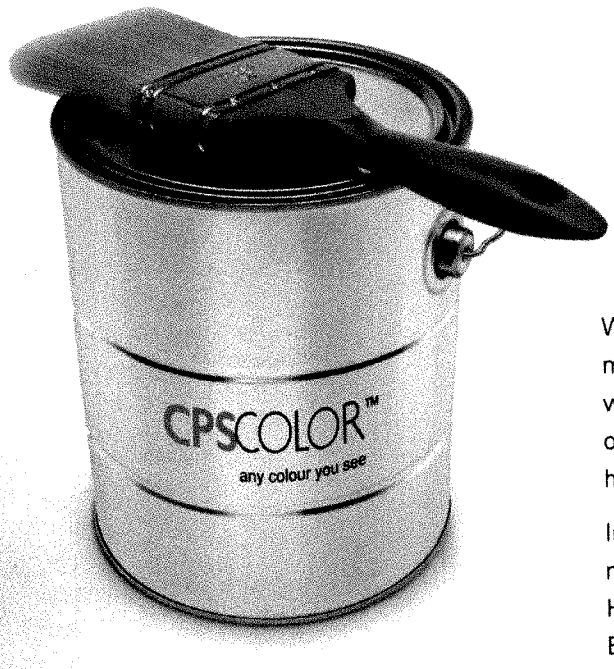
RBI + SEBI + NABARD + PFRDA + IRDA

Experts suggest India could create a regulatory council consisting of major regulatory agencies with RBI playing the role of regulator of the last resort.

RBI: Supervises banks, does monetary management **CCI:** Has the power to examine big mergers to see whether it is resulting in anti-competition practices
DICGC: Protects the interest of depositors **SEBI:** Regulates capital market intermediaries like brokers, mutual funds etc. **IRDA:** Supervises insurance companies
NABARD: Regulates cooperative and rural banks and provides refinancing facility to banks.

KULDEEP

Providing all weather solutions to CPS Color



When CPS Color, a Finnish tinting systems multinational realized its high hedging costs were mainly due to the rupee's illiquidity overseas, HSBC recommended bringing the hedging process onshore to India.

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BT-CARMA

CEO WATCH

India's and the world's most talked-about CEOs in the past 30 days.

Top 10 Indian CEOs

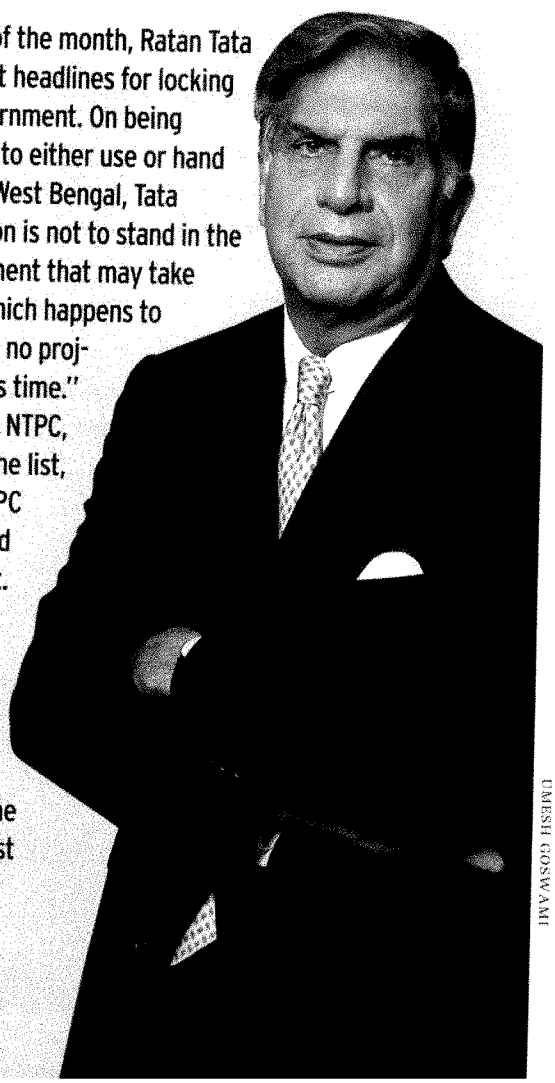
R. Tata/Tata Group	24
R.S. Sharma/NTPC	23
C. Kochhar/ICICI	22
O.P. Bhatt/SBI	18
N. Goyal/Jet Airways	16
S.K. Roongta/SAIL	12
S. Ramadorai/TCS	11
M.D. Mallya/BOB	11
K. Gopalakrishnan/Infosys	10
V. Mallya/Kingfisher	9

Top 10 Global CEOs

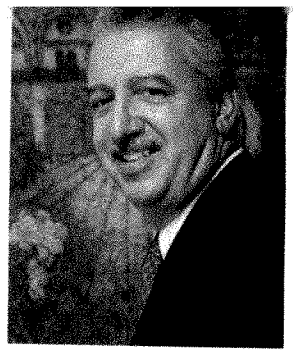
R. Murdoch/News Corp	56
R. Benmosche/AIG	52
W. Buffett/Berkshire Hathaway	46
F. Henderson/GM	36
I. Rosenfeld/Kraft Foods	31
S. Jobs/Apple	26
M. Luscombe/Woolsworths	25
J. Ackermann/Deutsche Bank	24
A. Joyce/Quantas	23
T. Albanese/Rio Tinto	22

Source: CARMA INTERNATIONAL

The leading CEO of the month, Ratan Tata of Tata Group, hit headlines for locking horns with the Government. On being asked by the WBIDC to either use or hand over land in Singur, West Bengal, Tata stated: "Our intention is not to stand in the way of any development that may take place on the land, which happens to be our land. We have no projects ourselves at this time." R. S. Sharma, CMD of NTPC, moved up to #2 on the list, thanks to the RIL-NTPC duel that pitch-forked him into the limelight. Chanda Kochhar of ICICI was the most favourably written-about CEO after being named by an international magazine as India's second-most powerful woman.



UMESH GOSWAMI



MONEY SHARMA

"We're Looking to Buy in India"

Michael A. DiGregorio, *Chief Financial Officer of executive search company Korn/Ferry International, was in India recently, one of the markets he is most bullish about. He spoke to* **Saumya Bhattacharya** *on opportunities in India. Excerpts:*

What makes Korn/Ferry so upbeat about India?

In the 5-6 years preceding the crash, our business in India was growing at three to five times our consolidated growth rate. So, clearly, the growth potential in India is superior to others.

What are your plans for India in the near future?

The Asia Pacific market, including India, accounts for 40 per cent of our revenues. We are looking at investing in human capital and acquisition opportunities in India as part of our growth strategy. In June 2009, we took over Whitehead Mann, one of the UK's best-known headhunting companies. We are looking at similar strategic advantages in India.

How soon do you foresee a recovery in the job market?

In the last quarter, we have seen a 20-25 per cent uptick in business globally. In July, there was a surge in technology business followed by financial services.

ROGER DUBUIS

EXCALIBUR – Column Wheel Chronograph

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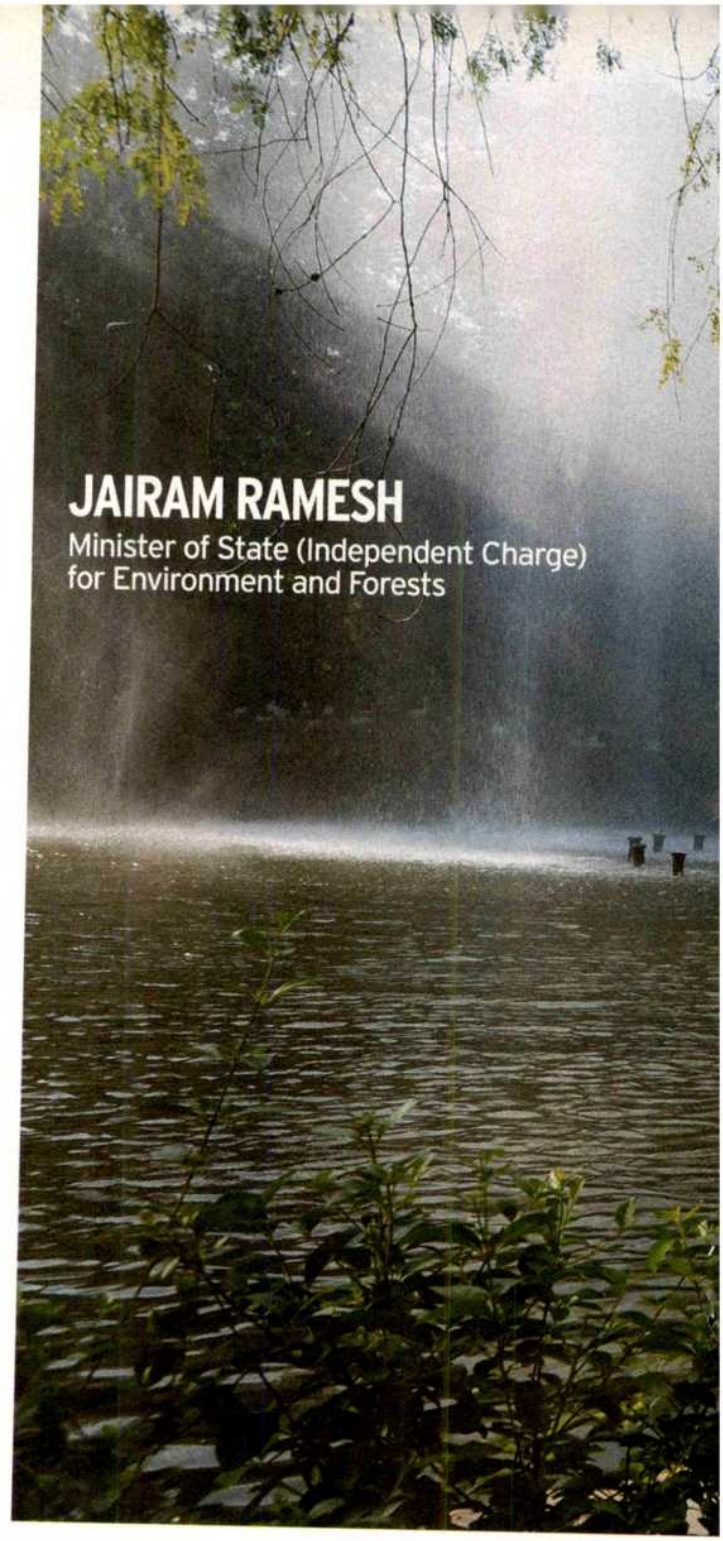
"WE NEED TO MOVE FROM SAYING 'NO, NO' TO 'YES, BUT'"



JAIRAM RAMESH
Minister of State (Independent Charge) for Environment and Forests

The minister's office in the Ministry of Environment and Forests has new doors—glass doors. Message: Transparency. The minister, Jairam Ramesh, works on his ultra portable laptop and often prints documents with a printer on his table. Message: Hands-on approach and speed. A series of legislative actions is underway to rid the ministry of its key powers. While the ministry has refused to accept any binding commitments on greenhouse gas reduction globally, it has prepared a six-point agenda for Indian industry. Message: Offensive strategy works well only when you also have a defensive strategy. **BUSINESS TODAY'S ROHIT SARAN** *and* **PUJA MEHRA** *caught up with the minister to understand the feasibility and implications of the transformation he is seeking to bring into the ministry. Excerpts of the interview:*

The environment ministry has come to be perceived as the biggest bureaucratic hurdle in setting up any industry. Why is this so?

VIVAN MEHRA/www.indiatodayimages.com

Contrary to the perception, I've discovered that the rate of acceptance of proposals for setting up industry is unnaturally high and the rate of rejection unhealthily low. Over 90 per cent of the cases get environment clearance and about 80 per cent in the case of forestry. Actually, I want a higher rate of saying no.

Let me explain. The environment ministry gives two types of clearances for setting up industry—for forests and environment. Under the Environment Protection Act, the Centre has 210 days to take a decision on applications for setting up industries. Under the Forest Conservation Act, it is 150 days. Over 92-93 per cent cases get done within these deadlines. Some high-profile cases, however, get stuck, and influence the popular perception.... The Centre cannot give a forestry clearance unless the state does and that is where mines, etc., are stuck for over three years in Jharkhand, Orissa and other states.

The great weakness of today's

system is that it favours industry—not the environment. We are not monitoring the compliance of the terms under which we are giving the clearances. But if we do, in most cases, the compliance will be found to be very poor.

So, how do you propose to reform the system?

The original response of the ministry was "No, no". I want to change it to "Yes, but". I will give you the clearance, but it will be under a regime, which you will have to follow. The reason environment is becoming a big national issue is because of the courts—whether it was the 7,000 public transport buses going CNG in Delhi or the tanneries moving out of Kolkata. Judicial activism became a welcome substitute for executive inaction. I'm trying to restore the balance between the roles of judiciary and the executive over environment. We have introduced a Bill in Parliament for setting up the National Green Tribunal, a specialised environmental court for civil damages.

Besides, we're setting up the National Environment Protection Authority, to which all my licensing powers will go. I've written to the chief ministers saying they, too, should transfer their powers of licensing and inspection. Monitoring compliance and regulation should be done by this independent authority.

So, we are planning a new system of environmental governance where the ministry will do the legislation and policy function, an independent authority will do the regulation and licensing function and a specialised environment court will perform the judicial function.

Are your bureaucrats with you on this? How soon can the new system become functional?

They are, because inadequacies have become so prominent. By April-May 2010, I would like to have the Authority (see page 22).

ON MINISTER'S MIND

- A new autonomous **regulator** to grant and monitor environment approvals.
- **Online** monitoring of industries by pollution control boards.
- A market mechanism to give **incentives** for energy efficiency.
- Companies above the norm can **sell** their credits to those below the norm.
- A limited-period **pollution tax** to fund effluent treatment.
- A **Green Tribunal** to adjudicate environment cases and settle civil damages.

Between regulation and incentives, which is better?

All over the world, regulation drives environmental behaviour. Detroit's car industry went for catalytic converters because the EPA (Environment Protection Agency) insisted. So, we're introducing a market mechanism to incentivise energy efficiency, which will be defined in produce per unit of fuel or raw material used. Companies above a norm will be able to sell energy efficiency credits to those below it. The Bureau of Energy Efficiency has identified the norms and industry. Early next year, this will be realised.

On pollution, the Centre could give incentives to states for river clean-up expenditure. We've requested the Thirteenth Finance Commission (TFC) for a grant of Rs 1,300 crore to urban municipal bodies over the next five years for this. Today, in several cities like Kanpur, Varanasi and Allahabad, there are sewage treatment plants lying idle because there are no funds to maintain and repair them. We've frittered away a lot of money on a town-based approach to river cleaning. For example, last year, we gave Rs 300 crore to 165 towns. The per town amount was a pittance for the task.

In terms of awareness, willingness and genuine commitment, where does Indian industry stand?

Awareness, I will give them 8 out of 10, willingness 6 out of 10 and genuineness 4 out of 10 barring the usual suspects—the Tatas, etc. In terms of sheer numbers, the small and medium industries are the largest polluters.

So, is there a case for a pollution tax?

I'm a great believer in a pollution tax because pollutants in this country don't pay. We're examining it. I want it to be a limited period tax, say, for four years, which can be used to fund effluent treatment plants.

Your ministry has actually the scope to create a new industry...

Of course, green is not just a concern, it is also a huge business opportunity. In the green businesses, we can leapfrog to the top. I went to China recently and found that its environment ministry monitors online 7,000 industrial units, which account for 60 per cent of China's pollution load. Why can't the Indian IT industry create such an online monitoring mechanism? I've set up a task force, and told the pollution control boards to start online monitoring of 200 units to begin with, say, steel and power plants.

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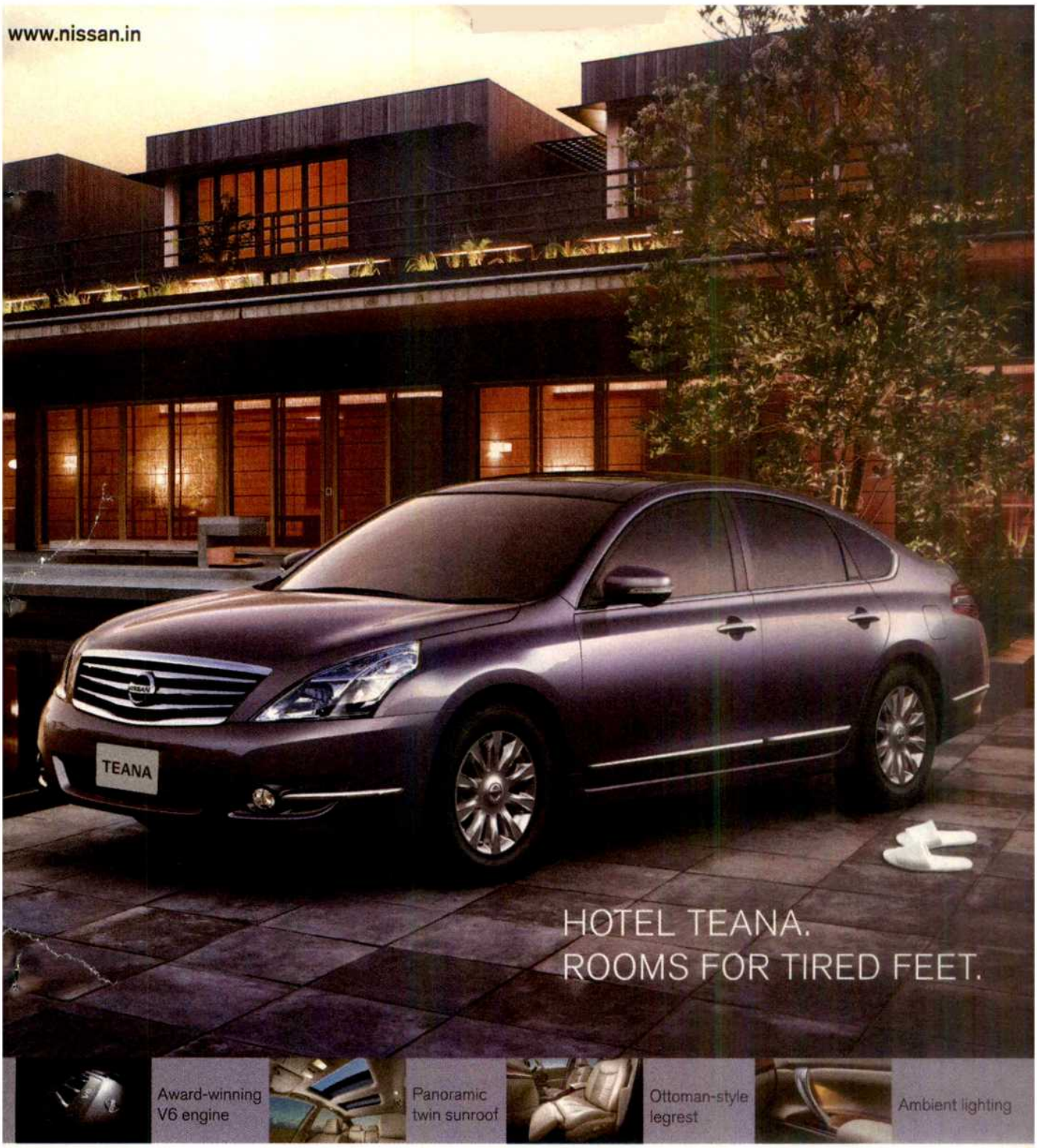

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You are opposed to the concept of carbon credits...

The concept of carbon credits has worked to India's advantage, but I don't agree with the philosophy. The guy in the West can continue to pollute so long as he invests in a CDM (Clean Development Mechanism allows net global greenhouse gas emissions to be reduced at a much lower global cost by financing emissions reduction projects in developing countries) project in our country. It is a guilt assuaging mechanism. Thanks to the CDM, India would have got FDI worth $6 billion by 2012, and at the same time neutralised another 10 per cent of our greenhouse gas emissions.

What's our strategy for the Copenhagen Summit?

We have a defensive as well as an offensive strategy. We are saying no to international commitment and yes to domestic commitment—where we have set six targets (see *The Big-ticket Items*). If other nations want us to take on global commitments, then they should give us money and technology. Domestically, we are doing broadly indicative targets under domestic law, because it will benefit us and allow us to negotiate from a position of strength.

What are your expectations from the summit?

I would like three specific outcomes. One, an agreement that recognises our efforts in forestry: India has, in the last 10 years, grown its forest cover by 0.4 million hectares per year. India and China are the only countries with a growing forest cover, which acts as a giant carbon sink. We have just quantified that 10 per cent of our annual greenhouse gas emissions is absorbed by our green cover and we should get credit for this. Two, the CDM ends in 2012, but I would like it to continue: We are the

"I will transfe all my licensin powers to a independer authority

world's largest implementers of c projects. Three, some internatio agreement on technology sharing that we can take on mitigation o large scale.

Amidst fiscal tightening this yea you've got double budget allocations. How?

An issue doesn't become a part of i national agenda unless it gets a cert critical amount of funding. Envirc ment isn't one because not enou public expenditure is allotted to i gave the Finance Minister plans a heads for expenditure and said give i money and I will deliver. In 200 09, the total expenditure on fores Centre plus states, was f Rs 3,700 crore. In 2009-10, it Rs 8,000 crore. Results won't show the first year, but people can't co plain there is no money. Now I c breathe easy: I don't have to spe all my time fighting for money.

You have got the money, but wil it be spent well?

It's true that the states, and not tl Centre, will spend much of th money. The TFC has mooted the id of Green Federalism to create an in entive structure for states to co serve green cover. Today, Himach Pradesh, for instance, has all tl incentives to reduce its forest cov for jobs, investments and develo ment and none to retain it. So, tl Centre can compensate the state f fulfilling a national objective. Tl next step would be to bring it in tl Planning Commission. ⊙

AWARDED...
B-SCHOOL WITH HIGHEST INTERNATIONAL PLACEMENTS!

(IIPM Delhi. At 125, it's international placements figure stood ahead of all the IIMs and ISB for the class of '08)

While others were discussing the slowdown...

At IIPM, **we were working on how to beat it!!**

For the class of '09...

2550 Already Placed!
55 Placed Internationally!

I - A	6 IIM - I
I - B	7 IIM - L
I - C	8 IIFT
RI	9 IIPM
S - Del	10 IIM - K

Ranked 9th in Placements amongst all B-Schools in India!

But we place more students than the other 9 B-Schools from the top 10 B-Schools put together!

(Zee Business B-School Rankings 2008)

THERE IS NO OTHER B-SCHOOL IN INDIA THAT GIVES PLACEMENT TO MORE STUDENTS!

HE TIMES OF INDIA

Companies Snap Up

on-IIM B-School Grads

March, '09: BANGALORE: While the final placement n at the IIMs was grim this year, other B-schools based ngalore are celebrating... "... So far, 1,500-plus IIPM nts across the country have been placed, with **44 ing international offers** and over 450 companies g to the campus..."

DNA

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Read the world

1500 FROM IIPM GET JOBS

10th March, '09: Mumbai: While graduates from IIMs are settling for jobs in PSUs, 1500 out of the 2600 students of IIPM have already been placed on campus... the key recruiters this year were **ADAG - Reliance Life Insurance, American Express, Axis Bank, Deutsche Bank, HDFC Bank, Hindustan, Unilever Ltd., Wipro KPO, Yamaha Motors, India Bulls Securities...**

ian express

IIPM SET TO BEAT **onomic Slowdown!**

March, '09: EXPRESS NEWS SERVICE: **After setting enchmarks in Bschool placements last year,** the Institute of Planning and Management (IIPM) has ted to re-establish its superiority in placements in the t period of reduced growth. Data shows that 1,500- udents at IIPM have already been placed on campus...

THE ECONOMIC TIMES

7th March, '09: New Delhi: IIPM has managed to place 1442 students from its campuses across the country in 400 companies... last year , of the 2600 students, 1600 had got offers by this time... In 2008 , while **IIPM had the second highest international placements (165) among the B-Schools in India, its Delhi campus boasted of the highest (125) no. of International placements as a single institute...**

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leading to *CERTIFICATION IN GLOBAL MANAGEMENT* from the same!

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Partner B-School: CAMBRIDGE Judge Business School

Participating B-School: UNIVERSITY of VIRGINIA DARDEN SCHOOL OF BUSINESS

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Participating School for GOTA: Cornell University ILR School

Wealth Management Program: NUS National University of Singapore

Ranked No.1 in Global Exposure! ***Ranked No.7 in India Overa***

"DARE TO THINK BEYOND THE IIMs!"

IIPM

INDIA'S GLOBAL B-SCHOO

THE BEST B-SCHOOLS

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THE BEST B SCHOOLS

As B-school applicants and recruiters hunt for bargains, a new crop of schools makes its way into the top ten as well as the overall list.

THE TOP 10

RANK 2009: 1 IIM-A

RANK 2008: 1
SCORE 2009: 4.48

Overall leader seven years running. Reigns supreme over its peers by a long shot in all categories.

2 IIM-B

RANK 2008: 2
SCORE 2009: 1.96

After IIM-A, the most recommended B-school by all five respondent groups.

3 IIM-C

RANK 2008: 3
SCORE 2009: 1.42

Completes the stable trinity at the top, though recruiters ranked it 5th.

4 SYMBIOSIS Pune

RANK 2008: 4
SCORE 2009: 1.34

Ranked next only to IIM-A, by recruiters and higher than IIM-C by executives.

5 JBIMS Mumbai

RANK 2008: 7
SCORE 2009: 1.01

Jumps two ranks courtesy higher weightage by executives and functional heads

6 IIM-L

RANK 2008: 5
SCORE 2009: 0.84

Slipped only one rank, despite downgrading by most respondent groups.

7 XLRI

RANK 2008: 5
SCORE 2009: 0.83

Aspiring MBAs didn't rank it in their top ten favourites, like they did last year.

7 ICFAI Hyderabad

RANK 2008: 9
SCORE 2009: 0.83

Gained ranks across most respondents, except recruiters, who downgraded it.

9 ABS Noida

RANK 2008: 18
SCORE 2009: 0.78

A surprise entrant in the top 10 with gains on all categories except current MBAs.

9 LIBA Chennai

RANK 2008: 21
SCORE 2009: 0.78

Another new entry in the top 10, with the biggest jump of 12 ranks over last year.

11 FMS Delhi
RANK 2008: 9
SCORE 2009: 0.76

12 IIM-I
RANK 2008: 8
SCORE 2009: 0.75

NEW ENTRANT

13 ISB Hyderabad
RANK 2008: –
SCORE 2009: 0.68

14 SPJIMR Mumbai
RANK 2008: 11
SCORE 2009: 0.59

15 IIM-K
RANK 2008: 12
SCORE 2009: 0.58

FMS fell out of favour with functional heads, knocking it out of the top ten.

15 WELINGKAR Mumbai
RANK 2008: 23
SCORE 2009: 0.58

17 IIFT Delhi
RANK 2008: 14
SCORE 2009: 0.56

18 BIMTECH Delhi
RANK 2008: 15
SCORE 2009: 0.54

18 NMIMS Mumbai
RANK 2008: 13
SCORE 2009: 0.54

NEW ENTRANT

20 IIT Delhi
RANK 2008: –
SCORE 2009: 0.49

IIT Delhi is back on the list after a year's absence. ISB (13) is a new entrant because 1-year programmes were included for the first time.

You may think that doing a B-school study in the middle of the biggest Depression in 70 years—surrounded by gloom and anxiety about the business environment—is a thankless task. In fact, it has turned out to be quite the reverse. Financial upheavals compel people to alter their consumption choices, change their perceptions and, to paraphrase *Star Trek's* Captain Kirk, go where few men or women have boldly gone before—and the one that we're smack dab in the middle of certainly seems to have forced B-schoolers to do just that, judging by the many revelations that the BT-Nielsen study has thrown up this year. But first, let's talk about the study.

MDI (rank 22), TISS (27) and XIM (28) lost ground because they weren't in the top 15 list of most respondent groups.

20 K.J. Somaiya Mumbai
RANK 2008: 22
SCORE 2009: 0.49

22 MDI Gurgaon
RANK 2008: 16
SCORE 2009: 0.46

23 IMT-G
RANK 2008: 24
SCORE 2009: 0.42

NEW ENTRANT

24 IIPM New Delhi
RANK 2008: -
SCORE 2009: 0.39

25 ICFAI Mumbai
RANK 2008: 20
SCORE 2009: 0.37

26 IIPM Mumbai
RANK 2008: 24
SCORE 2009: 0.34

27 TISS Mumbai
RANK 2008: 19
SCORE 2009: 0.29

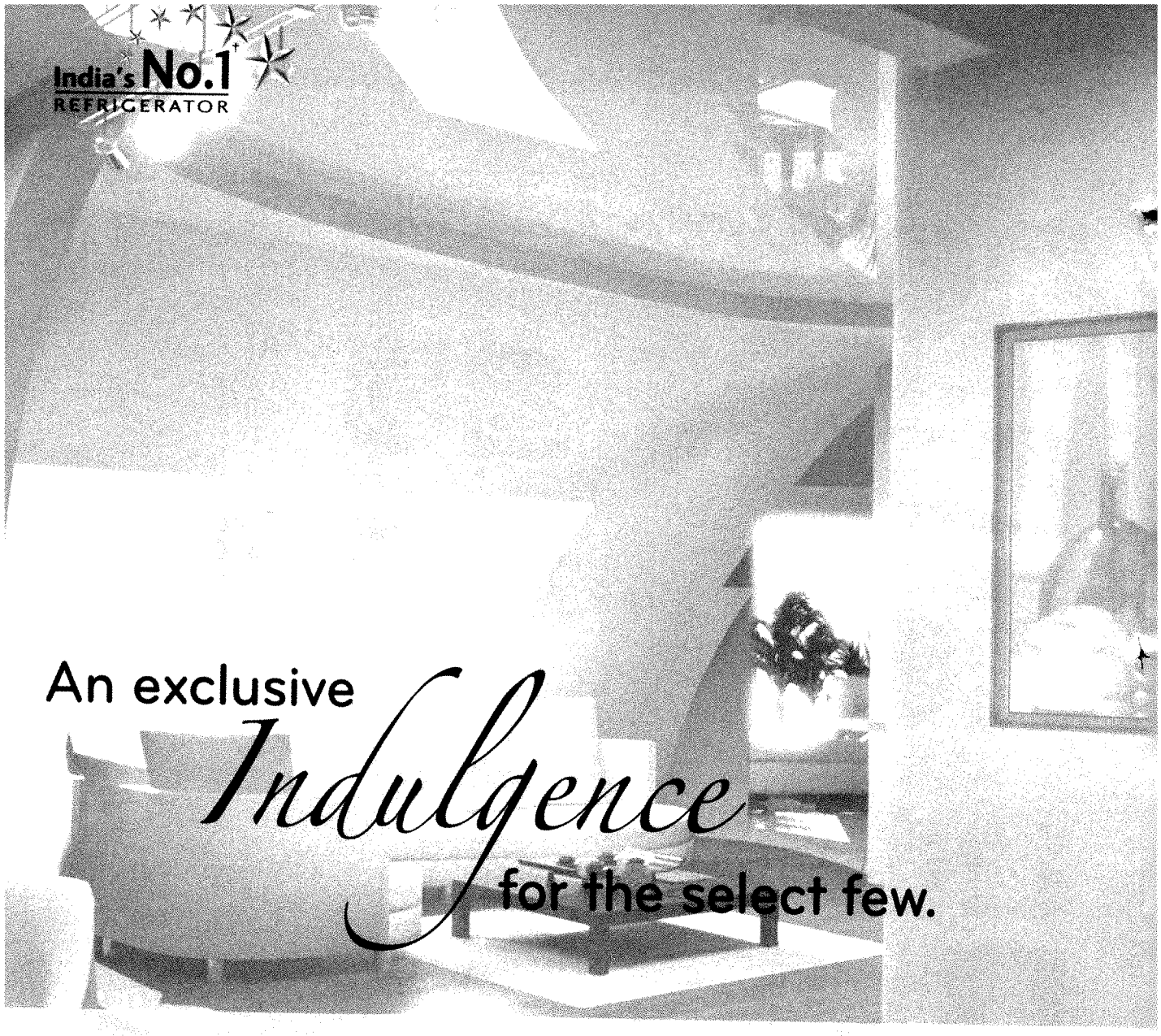
28 XIM BBSR
RANK 2008: 17
SCORE 2009: 0.26

29 SIES Navi Mumbai
RANK 2008: 30
SCORE 2009: 0.18

30 FSM New Delhi
RANK 2008: 27
SCORE 2009: 0.14

Business Today is a pioneer in ranking management programmes, having carried out India's first B-school survey in 1998. BT's survey sets itself apart from the rest of the pack primarily because of its methodology. It eschews difficult-to-verify parameters—like number of computers per student or number of academic papers published by faculty. These are fudge-able numbers and often prove to

IIPM Delhi is another new entrant. Both Mumbai and Delhi (including NCR) had nine institutes each in the top 30.



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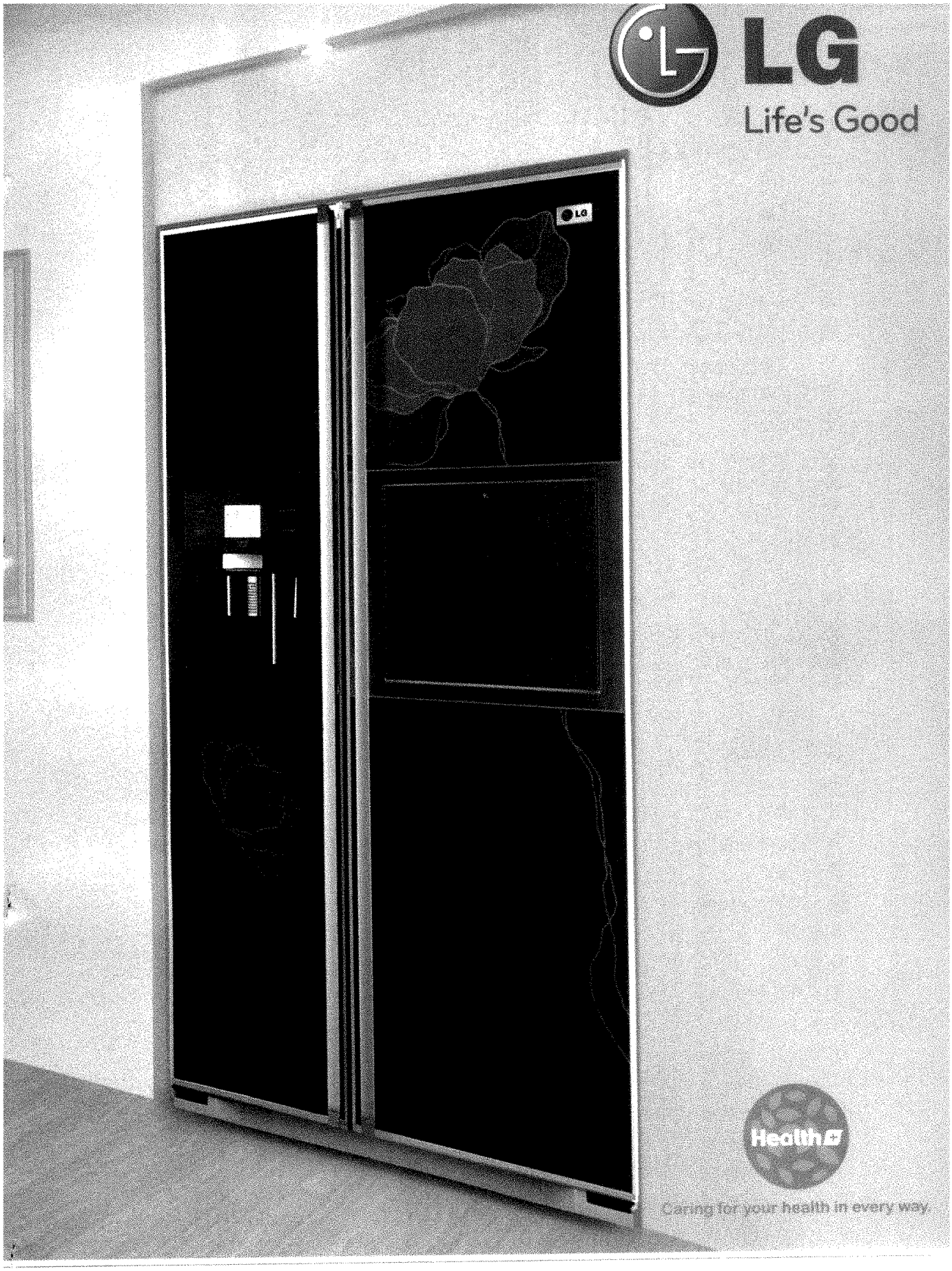

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RANKINGS ACROSS CATEGORIES

MBA Aspirants

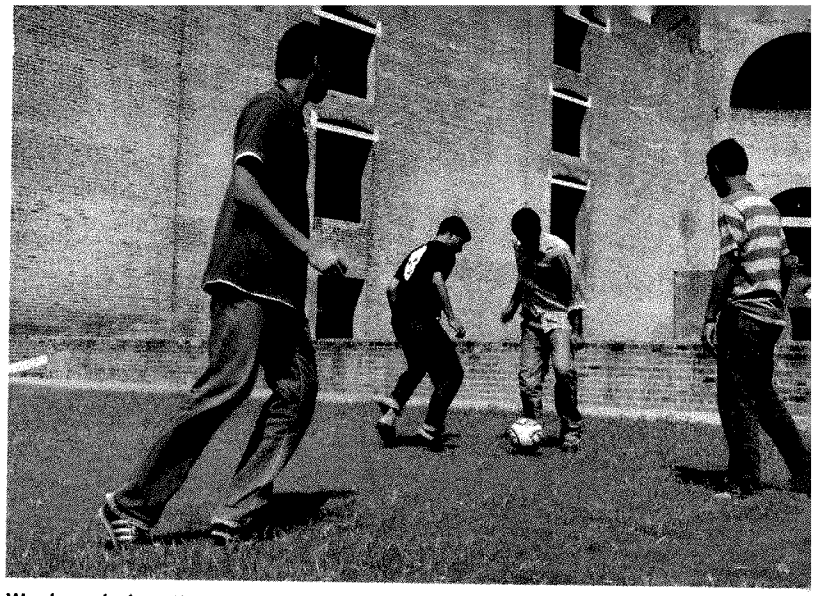
RANK 09	08		SCORE
1	1	IIM-A	3.71
2	2	IIM-B	2.54
3	3	IIM-C	1.64
4	4	Symbiosis Pune	1.40
5	22	LIBA Chennai	1.34
6	6	JBIMS Mumbai	1.10
7	10	ICFAI Hyderabad	1.01
8	5	IIM-L	1.00
9	8	IIM-I	0.94
10	17	ABS Noida	0.85
11	13	FMS Delhi	0.80
12	14	IIM-K	0.61
13	9	IIFT Delhi	0.52
13	-	IIT-D	0.52
15	21	K. J. Somaiya Mumbai	0.50

ABS Noida & LIBA Chennai enter the top 10, while IIFT Delhi exits.

Recruiters

RANK 09	08		SCORE
1	1	IIM-A	4.03
2	4	Symbiosis Pune	1.62
3	2	IIM-B	1.56
4	26	Welingkar Mumbai	1.42
5	5	IIM-C	1.13
6	3	XLRI	1.04
7	19	ABS Noida	0.99
8	8	JBIMS Mumbai	0.98
9	10	NMIMS Mumbai	0.91
10	13	SPJIMR Mumbai	0.77
11	12	BIMTECH Delhi	0.74
12	7	ICFAI Hyderabad	0.70
13	-	ISB Hyderabad	0.69
14	10	K. J. Somaiya Mumbai	0.67
15	6	IIM-L	0.66

Huge jump of 22 ranks for Welingkar.



UMESH GOSWAMI

Work and play: IIM Ahmedabad scores twice as high as the #2

Current MBAs

RANK 09	08		SCORE
1	1	IIM-A	4.43
2	2	IIM-B	1.89
3	3	IIM-C	1.82
4	5	Symbiosis Pune	1.10
5	6	XLRI	1.06
5	9	FMS Delhi	1.06
7	17	LIBA Chennai	1.03
8	4	IIM-L	1.00
9	-	ISB Hyderabad	0.99
10	13	ICFAI Hyderabad	0.87
10	9	IIM-I	0.87
12	14	IIFT Delhi	0.86
13	8	JBIMS Mumbai	0.83
14	12	IIM-K	0.73
15	11	SPJIMR Mumbai	0.61

ICFAI Hyderabad enters the top 10. LIBA climbs 10 notches.

be grossly unreliable. Instead, we sample opinions from significant stakeholders—such as aspiring MBA students, current B-schoolers, Human Resources (HR) heads, functional leaders and executives. We then apply Nielsen's proprietary 'Winning Brands' model across eight parameters—reputation and teaching methodology are two—to figure out how our stakeholders viewed these schools. This influences the rank that they get (See *Methodology*, pg 68).

The one major trend in our survey this year is dramatic—but hardly surprising considering the mayhem that the financial meltdown has caused: namely, the ascent of what are generally known as "Tier II" schools. These are institutions that don't have the same sheen or credentials of the elite IIMs, or even an XLRI—but instead offer different, compelling value propositions for your average student today. Both Amity Business School (or ABS) and Loyola Institute of Business Administration (or LIBA) have clawed their way into the top ten this year for the first time in the history of the list, and were unanimous hits across almost every category polled.

How is it possible for an Amity to share the same rarefied atmosphere that, say, an IIM inhabits? A lower price-tag can hardly be a

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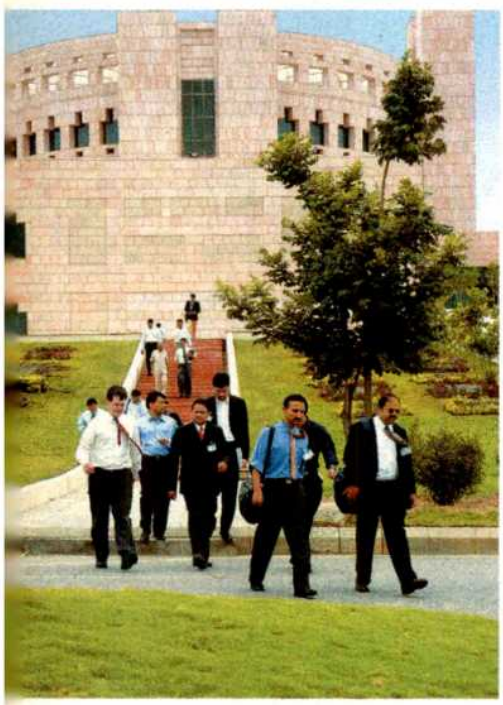
RANKINGS ACROSS CATEGORIES

Young Executives

RANK 09	08		SCORE
1	1	IIM-A	5.11
2	2	IIM-B	1.85
3	4	Symbiosis Pune	1.51
4	3	IIM-C	1.24
5	7	JBIMS Mumbai	1.03
6	21	ABS Noida	0.83
7	14	ICFAI Hyderabad	0.78
8	5	XLRI	0.77
9	6	IIM-L	0.75
10	8	FMS Delhi	0.74
11	-	ISB Hyderabad	0.70
12	16	IIFT Delhi	0.69
13	10	IIM-I	0.64
14	-	IIPM Delhi	0.58
14	12	IIM-K	0.58

ABS Noida and ICFAI Hyderabad make big improvements.

IIM-A's score is 4-to-5 times higher than other IIMs, among all respondent groups except MBA aspirants.



A. PRABHAKAR RAO

Global orientation: ISB faces its first downturn

Functional Heads

RANK 09	08		SCORE
1	1	IIM-A	5.34
2	2	IIM-B	1.87
3	3	IIM-C	1.15
4	4	Symbiosis Pune	1.14
5	6	JBIMS Mumbai	1.10
6	7	XLRI	0.82
7	15	BIMTECH Delhi	0.77
7	11	ABS Noida	0.77
9	10	ICFAI Hyderabad	0.75
10	5	IIM-L	0.74
11	-	ISB Hyderabad	0.65
11	8	IIM-I	0.65
13	19	K. J. Somaiya Mumbai	0.65
14	12	SPJIMR Mumbai	0.60
15	15	IIT Delhi	0.58

BIMTECH Delhi gains several notches.

reason—both schools charge upwards of Rs 4 lakh a year for tuition. Amity's faculty is less accomplished than that of the IIMs and its ability to attract top-shelf recruiters, modest. Instead, a school like ABS is best at taking an average product and shaping him or her into a skilled hire for many entry level or corporate trainee positions across India. So, while a big name bank may be wary of picking a vaunted IIM graduate for a trainee rotation programme that forces her to log four months as a bank teller—kind of like picking a prized stallion to give children rides at the local fair—it is comfortable with a competent, Tier II graduate who has the skills for the job but none of the attitude or lofty career expectations of an IIMer. (See *The New Middle Order*, pg 84.) Moroever, a severe downturn puts pressure on recruiters to look for value-for-money hires which schools like Amity now offer, boosting them from a lower rank into the top ten. Also, don't forget the advertising onslaught that some private institutions have undertaken in the past few years, which has probably impressed prospective students.

Our B-school coverage also unearths another transformation sweeping the corporate landscape. With Lehman Brothers and Bear Stearns evaporating overnight, and many of the world's top investment banks still reeling from the mortgage derivative debacle, finance—the holy grail of MBA students—has virtually vanished as a career option. In general, the slowdown has forced campus recruiters to drastically slash hiring or stop recruiting students for the year altogether. This has meant that the era of stratospheric salaries has ended, and graduates have been forced to significantly lower their expectations. In fact, these students are now willing to take up jobs at public sector companies such as Bank of Baroda, Steel Authority of India Ltd, and Bharat Heavy Electricals Ltd—something they would have probably been loath

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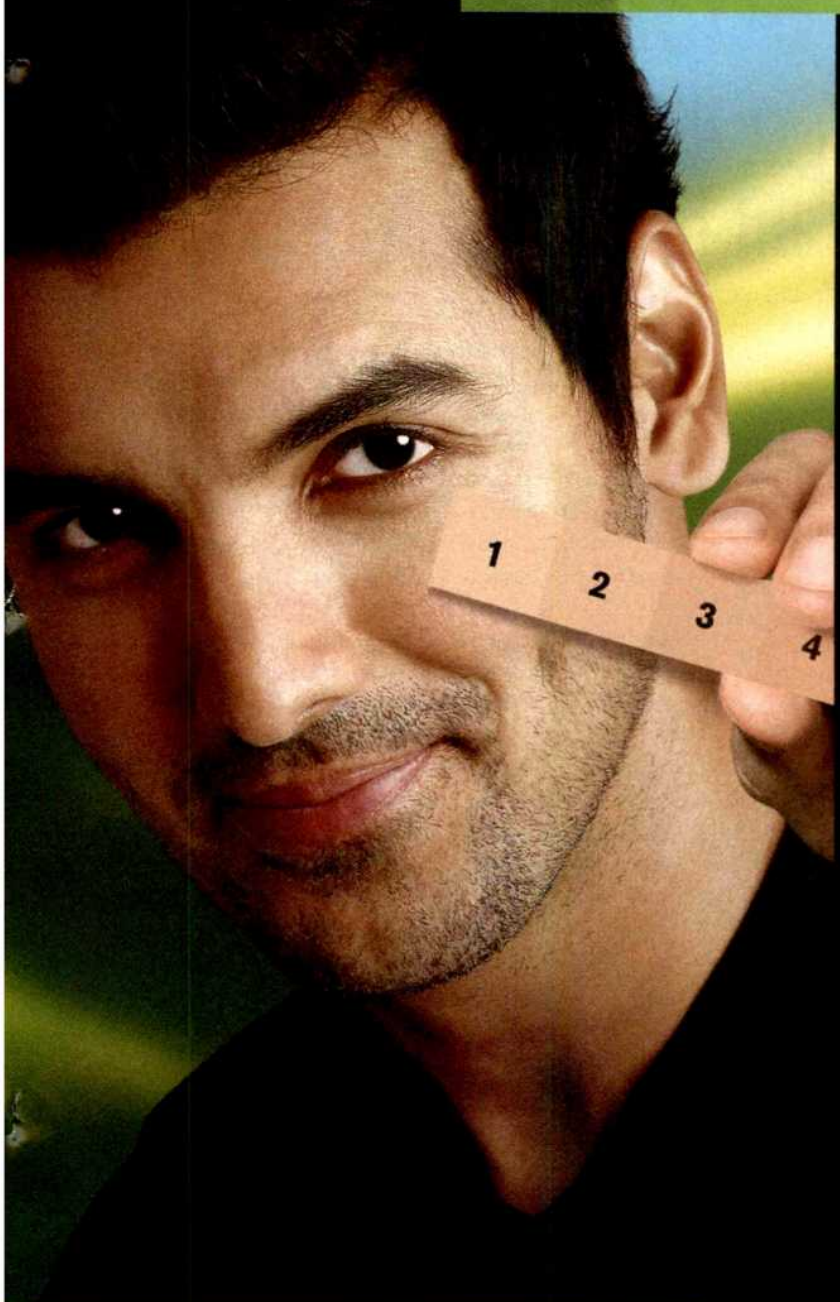

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GALGOTIAS BUSINESS SCHOOL

"Rated amongst the top colleges for 100% placement by C-Fore Survey!"*

"From the beginning, our focus has been on imparting quality education to our students. And for quality education, one requires a great faculty and a good infrastructure that we are known for. Unlike other private institutions, we're not into number crunching. Students are our products and we feel they should be marketed well. It is our constant effort to improve our research record and take up more projects to enrich the teaching-learning process. We have not one but many USPs. Today, Galgotias is a name to reckon with Quality Education purely on these merits - highly qualified faculty, state-of-the-art infrastructure and teaching & learning procedures that are a class apart."

Suneel Galgotia
Chairman

Placements are the icing on the MBA cake, and Galgotias Business School is rated among the leading colleges for 100% placements by the C-Fore survey. Renowned for providing jobs in the most coveted organizations across the country GBS leaves no stone unturned towards launching their students towards a promising career. An MBA is considered to be the passport to a good life. A high flying job, meteoric rise and an overwhelming social status are thought to be a part and parcel of it. However, 'good life' and 'high flying job' are subjective and one's perception of success and self-confidence determines one's position in the corporate ladder. This is where the right MBA institute makes a difference!

Given one's acumen and hard work, only Galgotias has that great career plan marked out for its students-intellectually stimulating them, instilling them with drive and making them push the limits! A PGDM from Galgotia Business School is a fundamental step for a 'really' bright career. Many prestigious organizations have rated GBS as a leading institution for various parameters. With one of the most reputed faculty in the industry, an excellent curriculum and a world-class infrastructure, a Galgotian is trained in a simulated corporate environment wherein he is fine-tuned according to the demands of the leading Indian and global companies. Galgotias Business School has a reputation to keep in the corporate world, and this survey result reinforces the reputation. The Campus, located in Greater Noida, is state of the art. The educational process, formulated by stalwarts from the industry, is supremely empowering. The alumni, permeating all sectors of Indian industry, have led a royal road for the successors. These days, quite a few institutes might not have convincing accreditation, a few more lack knowledgeable faculty and others might fail when it comes to placements. On the other hand, GBS boasts of all these with more than 50 years of history and provides a sure way to a successful career. The self-sufficient campus provides state-of-the-art academic buildings, advanced seminar and conference halls, indoor and outdoor games facilities and multi-cuisine cafeterias managed by professional caterers and separate hostels for boys and girls among numerous other facilities. GBS is driven by technological innovation and strives to implement the online training and teaching platform.

Suneel Galgotia, Chairman GEI state, "We do all it takes to provide the best of learning ambience. Scholarships for meritorious students, proficient faculty members, advanced methods of learning and all modern facilities, students can get it all here." The emphasis at GBS is on developing an all round corporate personality and competence. Precisely why, the sprawling Greater Noida campus located on the eight lane expressway boasts of an ambience that facilitates both education and personality development, extracting the best from a student and maximizing his potential to succeed.

- **Forbes is our Academic Associate.**
- **Top Choice' by Mail Today.**
- **GEI was honoured with the prestigious Academic Excellence Award 2008-09 for 'Best Academic' Infrastructure & Faculty' presented by Hon'ble Former Union Minister of State of Home Affairs, Shri Sriprakash Jaiswal.**

100% Placements - The Galgotian track record

Indeed the best are always in demand in the time of uncertainity and the recession phase, one more feather has been added in the cap of Galgotias College of Engineering & Technology, as we could be able to attract 44 companies out of which 16 are core companies visited for Mechanical, Electronics & Communication, Electronics & Instrumentation students for recruitment of 2009 passing out batch of B.Tech and MCA like;

TCS, Satyam, Infosys, HCL Technologies, NIIT Technolgies, L&T Infortech, R-Systems, Nucleus Software, L&T Ltd., Accenture, Sapient, I-flex, Grapacity, CSC, Capegemini, L&T (S&L), Sunbios Software, Etattva, HCL Inforsystems, PI-Tech International, Spark Engineering, NR Switch N Radio, Services, Ebix Software, Escards Ltd., Delphi Automotive, Rays Software, Valdel Engg. & Constrs, Pfeifffer India Ltd., Interglobe Technology, Precision International, ITC Infotech, Mahindra & Mahindra, Essel Shyam Technologies, SKH Metals, HV Airconditioning Ltd, Syndergy System Ltd., Tikona Technologies, Salah Software, Pearledge Software, Consummste Technology, Cherry E-Commerce, RT Outsourcing Service Ltd., US Tech Solutions, Syscom Corporations Ltd.

MNC Placements Global Careers!

GBS offers the best of corporate environments for training and placement purposes. It has tie ups with the most respected names in the industry, including Infosys Technologies Ltd., HCL Technologies Ltd., Honeywell Automation India Ltd., United Technologies, V Customers, Caritor India, Satyam Computers, HCL Comnet, I-Flex, L&T Infotech, Nucleaus Software, Mahindra & Mahindra, R System, Magic Software, Syntel, Wipro Infotech, HCL NEC System, Convergys, Mettler Toledo, SR Infotech, Green Field and Motherson Techno Tools Ltd.

GBS Visionaries

GBS is led by visionaries from all walks of the industry. The Board of Governors includes S.B. Budhiraja, former Managing Director of Indian Oil Corporation and Executive Director of MDI Gurgaon. Dr. Pritam Singh Padma Shri, former Director, IIM, Lucknow; Executive Director, MDI and board member of RBI is the Vice Chairman. Led by the vision and continuous guidance of such stalwarts the GBS edge does not stop here. It extends with:

- **Emphasis on problem solving, analytical thinking and PR management.**
- **Constantly updated curriculum to stay ahead of the industry's requirements.**
- **Advanced tools and methods of learning.**
- **A one of its kind in India, we have started the NEN programme for managing Family Business.**
- **An admired team of core faculty coupled with guest faculty from leading institutes from around the world.**
- **Interaction with leading corporate houses on a continuous basis for training and placements.**

Industry exposure is the secret of placement success !

Pursuing the goals of creating a wholesome professional competency, the course curriculum at GBS is both stimulating at educational with an emphasis on practical learning. The trimester PGDM courses include subjects as Finance, Human Resources Management, Marketing, Systems (Information Technology), and Operations Management to International Management. The specialization in International Business is laid on crucial areas as International & Strategic Marketing and Forex Management. Stress is also laid on Technology Management involving intricacies that are given enough attention elsewhere.

* as published in September issue of open Magazine

WHAT MATTERS IN A B-SCHOOL

Among the five respondent categories, the importance of eight parameters on which colleges are rated varied widely.

REPUTATION

MORE IMPORTANT ← → LESS IMPORTANT

Functional Heads, Young Executives | Recruiters, MBA Aspirants | Current MBAs

THE TOP TEN BY REPUTATION

1 IIM-C	2 IIM-B	3 IIM-K	4 IIM-I	5 IIM-A
6 IIM-L	7 ISB Hyderabad	8 XLRI Jamshedpur	9 Symbiosis	10 IIFT Delhi

TEACHING METHODOLOGY

MORE IMPORTANT ← → LESS IMPORTANT

MBA Aspirants | Recruiters, Functional Heads, Current MBAs | Young Executives

THE TOP TEN BY TEACHING METHODOLOGY

1 IIM-C	2 IIM-I	3 IIM-A	4 IIM-B	5 IIM Kozhikode
6 IIM Lucknow	7 ISB Hyderabad	8 Symbiosis	9 XLRI Jamshedpur	10 JBIMS Mumbai

INFRASTRUCTURE

MORE IMPORTANT ← → LESS IMPORTANT

Recruiters, Young Executives | Current MBAs | MBA Aspirants, Functional Heads

THE TOP TEN BY INFRASTRUCTURE

1 IIM-C	2 IIM-A	3 IIM Kozhikode	4 IIM Indore	5 IIM-B
6 IIM Lucknow	7 ISB Hyd	8 Symbiosis	9 FMS Delhi	10 IIPM Mumbai

FACULTY

MORE IMPORTANT ← → LESS IMPORTANT

MBA Aspirants, Current MBAs | Recruiters, Young Executives | Functional Heads

THE TOP TEN BY FACULTY

1 IIM-B	2 IIM-C	3 IIM Kozhikode	4 IIM-A	5 IIM Indore
6 IIM Lucknow	7 ISB Hyd	8 XLRI Jamshedpur	9 FMS Delhi	10 Symbiosis

Note: The position of respondents on the scale reveals the degree to which they consider the category important

Points to ponder this year: Students from IIM Calcutta

to do a year ago. Another interesting trend: Management programmes at some of the major IITs have started to become attractive options due to their ability to churn out quick, unpretentious minds who are interested in both the job as well as the pay package rather than just the latter. This is the second time in three years that IIT Delhi's management programme, for example, has shown up on this list. (See *MBA from IIT, pg 96*).

Our study also throws up a few puzzles: While you're scrolling through our rankings, you may come to an abrupt halt at the #13 slot, occupied this year by the International School of Business in Hyderabad (See *The ISB's Moment of Reckoning, pg 78*). Why is a top-notch programme, rated in the 2009 *Financial Times* top 15 Best Global MBAs, not in our top 10? Its Rs 20 lakh price tag—compared to Rs 9 lakh at the IIMs—probably scares away your average middle class applicant. Then, there's the fact that it's programme is a one-year course—too short for anyone who wants the more familiar two-year stretch to absorb the experience. Corporate recruiters, too, don't seem to give them relatively high marks—probably because ISB's graduates are more geared towards the international job market rather than the domestic one. In other words, ISB's

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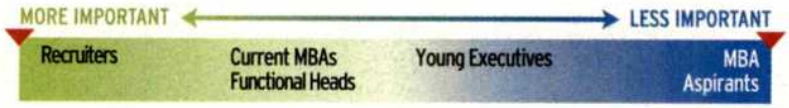
WHAT MATTERS IN A B-SCHOOL
(Continued...)

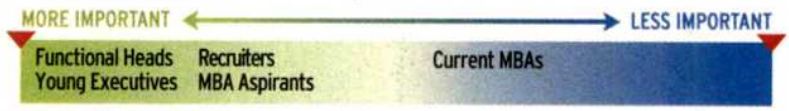
SPECIALIST UNITS



THE TOP TEN BY SPECIALIST UNITS

1 IIM-C	2 IIM Indore	3 IIM-A	4 IIM-B	5 FMS Delhi
6 IIM Kozhikode	7 ISB Hyderabad	8 IIM Lucknow	9 ICFAI Hyd	10 LIBA Chennai

PLACEMENT



THE TOP TEN BY PLACEMENT

1 IIM-C	2 IIM Indore	3 IIM-B	4 IIM-A	5 IIM Lucknow
6 IIM Kozhikode	7 IIT Delhi	8 MDI Gurgaon	9 FMS Delhi	10 LIBA Chennai

QUALITY OF PLACEMENT

THE TOP TEN BY QUALITY OF PLACEMENT

1 IIM-B	2 IIM-C	3 IIM Indore	4 IIM-A	5 IIM Lucknow
6 IIM Kozhikode	7 ISB Hyd	8 FMS Delhi	9 XLRI Jamshedpur	10 MDI Gurgaon

ADMISSION ELIGIBILITY

THE TOP TEN BY ADMISSION ELIGIBILITY

1 IIM-B	2 IIM Indore	3 IIM Lucknow	4 IIM-C	5 ISB Hyderabad
6 IIM Kozhikode	7 IIT Delhi	8 Symbiosis	9 ICFAI Mumbai	10 IIPM Mumbai

Note: The position of respondents on the scale reveals the degree to which they consider the category important

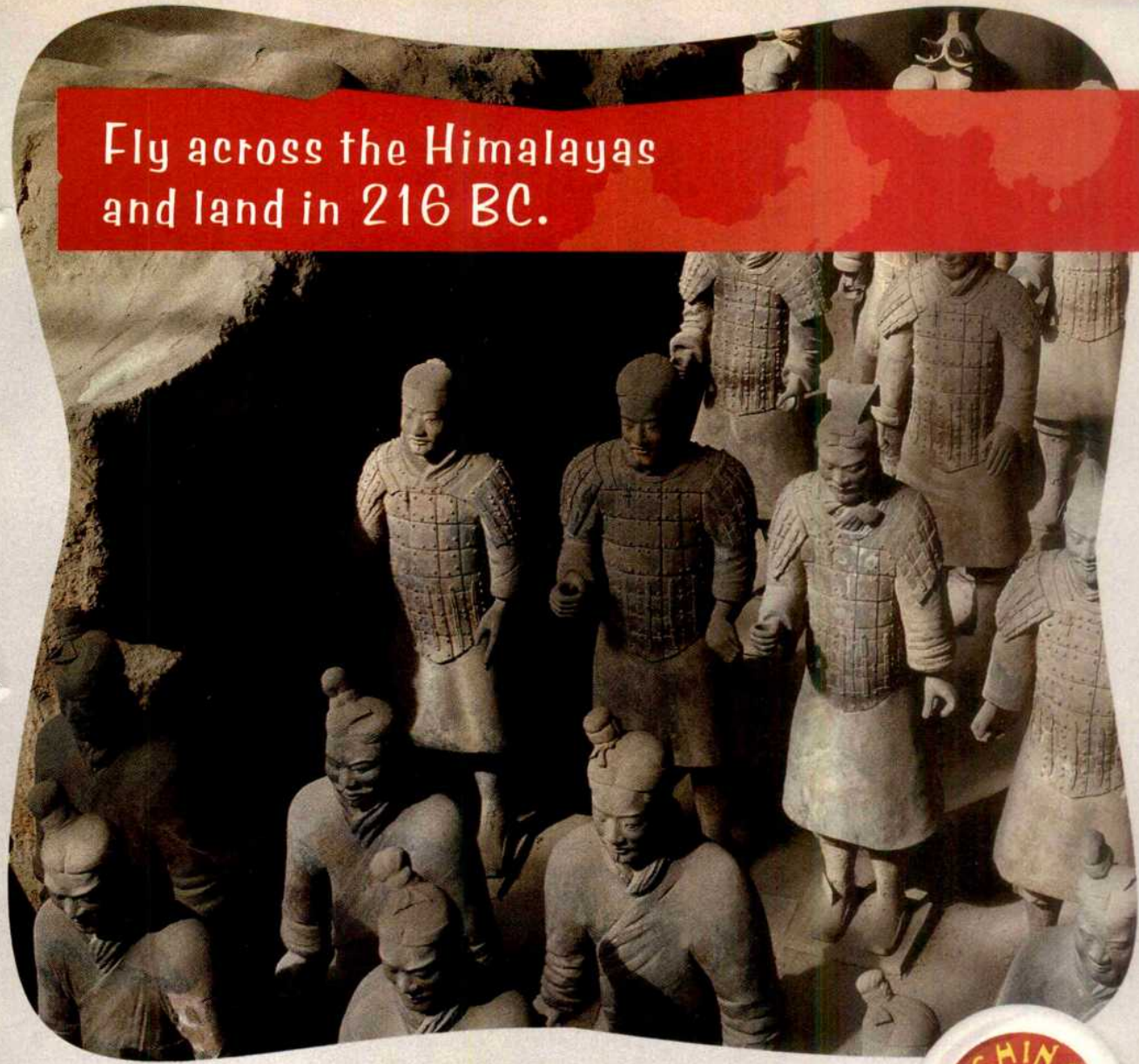
problem is that it is too much of a premium brand and in a downturn, this can be a disadvantage. However, when the economy revives, ISB's fortunes—as well as its future ranking—is bound to improve.

Our B-school survey also explores the myriad problems that plague the world of management education in India. For instance, while the top three IIMs—Ahmedabad, Bangalore and Calcutta—have been impregnable fortresses occupying one of the top four slots every year that this list was compiled, its small town brethren like IIM Shillong are having a tough time registering on the national psyche. (See *The IIM Caste System, pg 72*). One major hurdle facing schools like IIM Shillong as well as the thousands of schools that have popped up in the last decade—there are now over 2,000 programmes in India—is the abject lack of decent faculty, leave alone the lack of infrastructure or quality libraries. However, IIM Lucknow—which came a decade after the last IIM-B—has consistently been on our top 10 list and even IIM Indore has made encouraging strides in the rankings. So, perhaps time to evolve and grow is as important a factor as good teachers.

Even these issues take a sideline when you consider the overarching problem of MBA programmes being largely irrelevant to much of corporate India—NBFCs, service companies, real estate outfits, amongst others—who often turn to their less heralded, value-for-money peers in the economics, engineering and commerce arenas (see Column by S.L. Rao, pg 122). The solution to many of these dilemmas is to make PhD programmes in India much more attractive than they are, by giving them appropriate incentives, forging corporate-institutional linkages and building a large bank of relevant cases that can even be marketed to global schools like Harvard.

Let's face it—this decade hasn't been the best of times for B-schools. Jeff Skilling—the architect of Enron's

Fly across the Himalayas and land in 216 BC.



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RANKINGS THROUGH HISTORY

For 11 years, *BT* has consistently tracked B-schools, with a big change in methodology in 2003. Here are the top 10 rank holders through the years.

1998

RANK	
1	IIM-A
2	IIM-B
3	IIM-C
4	XLRI Jamshedpur
5	IIM Lucknow
6	FMS Delhi
7	JBIMS Mumbai
8	MDI Gurgaon
9	SPJIMR Mumbai
10	NMIMS Mumbai

2000

RANK	
1	IIM-B
2	IIM-A
3	IIM-C
4	IIM-L
5	IRM Anand
6	XLRI Jamshedpur
7	MDI Gurgaon
8	IIM Indore
9	SPJIMR Mumbai
10	IIFT Delhi

2002

RANK	
1	IIM-B
2	IIM-C
3	IIM-L
4	NITIE Mumbai
5	IIM Kozhikode
6	MDI Gurgaon
7	IIM Indore
8	SJMSM-IIT Mumbai
9	SPJIMR Mumbai
10	IIFT Delhi

IIM Bangalore bagged the 2002 top slot—a year that IIM-A declined to participate. The methodology was revised next year to eliminate school participation.

2003

RANK	
1	IIM-A
2	IIM-B
3	IIM-C
4	XLRI
5	Symbiosis Pune
6	FMS Delhi
7	IIM Lucknow
8	JBIMS Mumbai
9	IIM Indore
10	ICFAI Hyderabad

2004

RANK	
1	IIM-A
2	IIM-B
3	IIM-C
4	XLRI
5	Symbiosis Pune
6	FMS Delhi
7	IIM-L
8	JBIMS Mumbai
9	IIM Indore
10	ICFAI Hyderabad

2005

RANK	
1	IIM-A
2	IIM-B
3	FMS Delhi
4	IIM-C
5	XLRI Jamshedpur
6	IIM-L
7	IIFT Delhi
8	Symbiosis Pune
9	JBIMS Mumbai
10	NMIMS Mumbai

FMS Delhi broke through the monopoly of the three IIMs, but the order was restored next year.

2006

RANK

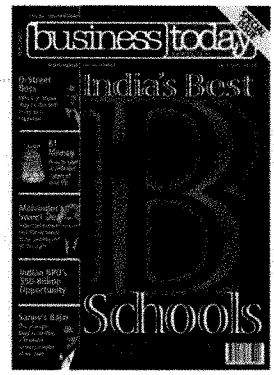
1 IIM-A
2 IIM-B
3 IIM-C
4 Symbiosis Pune
5 IIM-L
6 XLRI
7 JBIMS
8 IIM-Indore
9 FMS-Delhi
10 IIFT-Delhi

2007

RANK

1 IIM-A
2 IIM-B
3 IIM-C
4 Symbiosis
5 IIM-L
6 IIM-Indore
7 JBIMS
8 XLRI
9 ICFAI Hyderabad
10 NMIMS Mumbai

By 2006, recruiters had begun to hunt for bargains, leading to a churn in the ranks below #4.



2008 was the year of extreme buoyancy for B-schools. 19 out of the 30 B-schools registered a rise in their score.

2008

RANK

1 IIM-A
2 IIM-B
3 IIM-C
4 Symbiosis
5 IIM Lucknow
6 XLRI
7 JBIMS
8 IIM Indore
9 FMS Delhi
10 ICFAI Hyderabad

cataclysmic collapse was, after all, a Harvard B-school graduate. Similarly, bankers from the world's elite management programmes were steering the derivatives and trading desks of major investment houses who, in a frenzy of speculative greed in an era of minimal regulation, brought the world to its knees. Therefore, many management thinkers, journalists and business personalities are beginning to wonder if these programmes are focussing on the right things at all—such as instilling ethical business practices into graduates, instead of bolstering a fixation with personal and corporate bottom lines. (See *The Buck Stops (and Starts) at B-school, Harvard Business Review* article, pg 114)

However, while the world is unlikely to remain the same as it was a few years ago, with its ballooning salaries and plush corporate perks like those lavish offsites in Goa, there is a silver lining to this apparent tale of woe. Most companies and managers—and B-schoolers—rarely get time to reflect on themselves and their businesses during boom times. It's only when the chips are down, does one start the essential, agonising process of soul-searching and self-reflection. The companies—and individuals—who do this invariably emerge from these periods leaner, fitter and smarter than they ever were, ready to propel their firms and themselves to a new plane of existence.

Ultimately, India's economy—and the world's—is going to emerge from its current torpor, and when it does it will once again need new recruits to feed its engines of growth. Management graduates who have lived through the worst financial crisis in history will probably have learnt a thing or two about the world—and themselves—that not many would otherwise get an opportunity to. And this is probably worth more than the heftiest signing bonus you can think of. ⊙

COMMENTS & FEEDBACK AT
btfeedback@intoday.com

How We Rank B-schools

The *BT*-Nielsen study refines the focus on its most important constituent—the customers. Here's why.

The Rationale

Which B-school should you apply to? And which one should you hire from? People who know the answer to these two questions know the true value of a B-school. This has been the guiding philosophy behind the *BT*-Nielsen B-school survey methodology right from its inception seven years ago. (*BT*, though, has been carrying such a ranking since 11 years.) Put another way, our methodology assumes that an institute is only as good as its customers think it to be. Having made this fair assumption, our task then boils down to defining the customers in the most comprehensive manner and reaching out to them in a way that has no bias—intended or unintended.

The Respondents

The five types of B-school customers, or respondent categories for the survey, are:

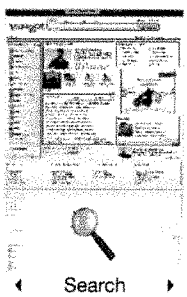
1. MBA Aspirants

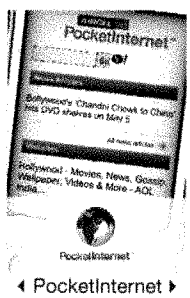
Students or employees planning to take the various MBA entrance tests. The survey team ensured that a mix of students with graduate or post-graduate degrees in professional or general courses was polled. A mix of aspirants with and without work experience was reached out to.

2. Recruiters

Human resource (HR) managers of

One touch access for you





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companies that have been recruiting from B-schools for the past three years were part of this category.

3. Current MBAs

Mostly, but not only, final-year students in reputed B-schools. Having spent a year in their colleges, they know what to expect realistically from a B-school and which college can fulfil what kind of expectations better.

4. Young Executives

Those executives who are MBAs with two or three years of work experience. They bring in the retrospective assessment of B-schools.

5. Functional Heads

Managers with 8-9 years of work experience. These managers interact with B-school graduates more closely, which allows them to assess the quality of education and training imparted in different schools in a much better way. This category also plays a significant role in deciding how many fresh MBAs are hired for their company and from where.

Two Phases of the Survey

As every year, the poll was conducted in two phases.

Phase-I: In this stage, we arrived at a short-list of 30 B-schools. For this only MBA aspirants (666 in number) and recruiters (279) were polled. A total of 945 stakeholders between the two categories were polled. Respondents were asked to name the institutes they were aware of and considered applying to (for HR Recruiters it was customised to "considered hiring from"). Over 60 management institutes were included in what is called the "aided" list at this stage—after a respondent had finished listing the names of the

WHAT'S NEW?

- Aspirants with work experience were included.
- List of colleges expanded in the first phase.
- Colleges with a 1-year course were also considered.
- Greater emphasis on 2nd year students in Current MBA category.

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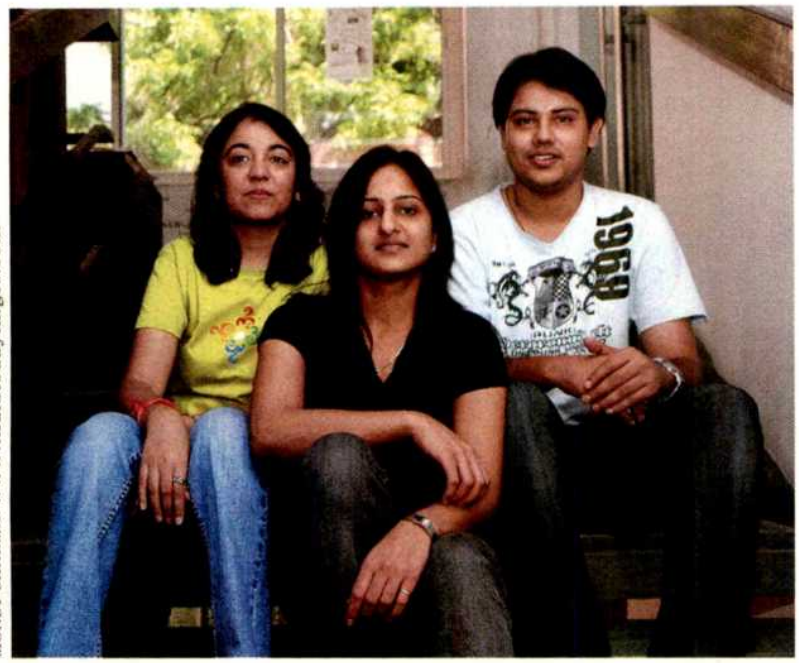

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The Nielsen Team: (L-R) Shruti Shroff, Shikha Mittal and Vivek Nauhbar. Vinod Yadav and Lalitha Priya (not pictured) also worked on the project

institutes he or she could recall and recommend, the prominent B-schools missing from their recollection were pointed out and their familiarity with those institutes gauged. At the end of this round of poll the master list of 30 most aware and recommended B-schools was prepared.

Phase-II: This phase was designed to rank the 30 short-listed B-schools. All the five categories of respondents were reached out to. The number of respondents in each category was: MBA aspirants 134—57 with work experience and 77 without; recruiters 110; Current MBAS 132; Young Executives 109; Functional Heads 111. Total respondents across all categories: 596. These were spread across 12 cities: Delhi, Mumbai, Chennai, Kolkata, Lucknow, Delhi and NCR (Noida, Gurgaon and Ghaziabad), Ahmedabad, Pune, Indore, Bangalore, Hyderabad and Coimbatore.

Arriving at Scores

To arrive at each institute's score—or what we call the Brand Equity Index (BEI)—Nielsen's Winning Brands model was employed. Winning Brands focusses on understanding the key drivers of choice for an institute. Taking into consideration parameters such as favourite school, recommended school and the price premium commanded by a brand, the model calculates the BEI for each of the 30 B-schools. The BEI scores eventually determined the B-school rankings. The higher the BEI score of a B-school, the more attractive it is to MBA aspirants and recruiters.

In order to understand, why a particular B-school ranks higher than others (identifying key drivers of a B-school's Brand Equity) respondents were asked to rate each of the short-listed 30 B-schools on eight parameters. To ensure that respondents sreally understood the importance of each parameter, each parameter was divided into sub-parameters (see *Classification of Attributes*).

The Nielsen team that worked on this project comprised Lalitha Priya, Shruti Shroff, Vivek Nauhbar, Shikha Mittal and Vinod Yadav. ⊙

Classification of Attributes

Reputation
- How well-known is the institute
- Knowledge of subject
- Rigour of admission exams
- Achievement of alumnus
- International recognition
- Tie-up with foreign institute

Infrastructure
- High speed internet connectivity
- State of library, computer facilities
- Availability of financial aid
- Convenient location
- High standard hostel & mess facility

Placements
- 100% placements
- Multiple placements options

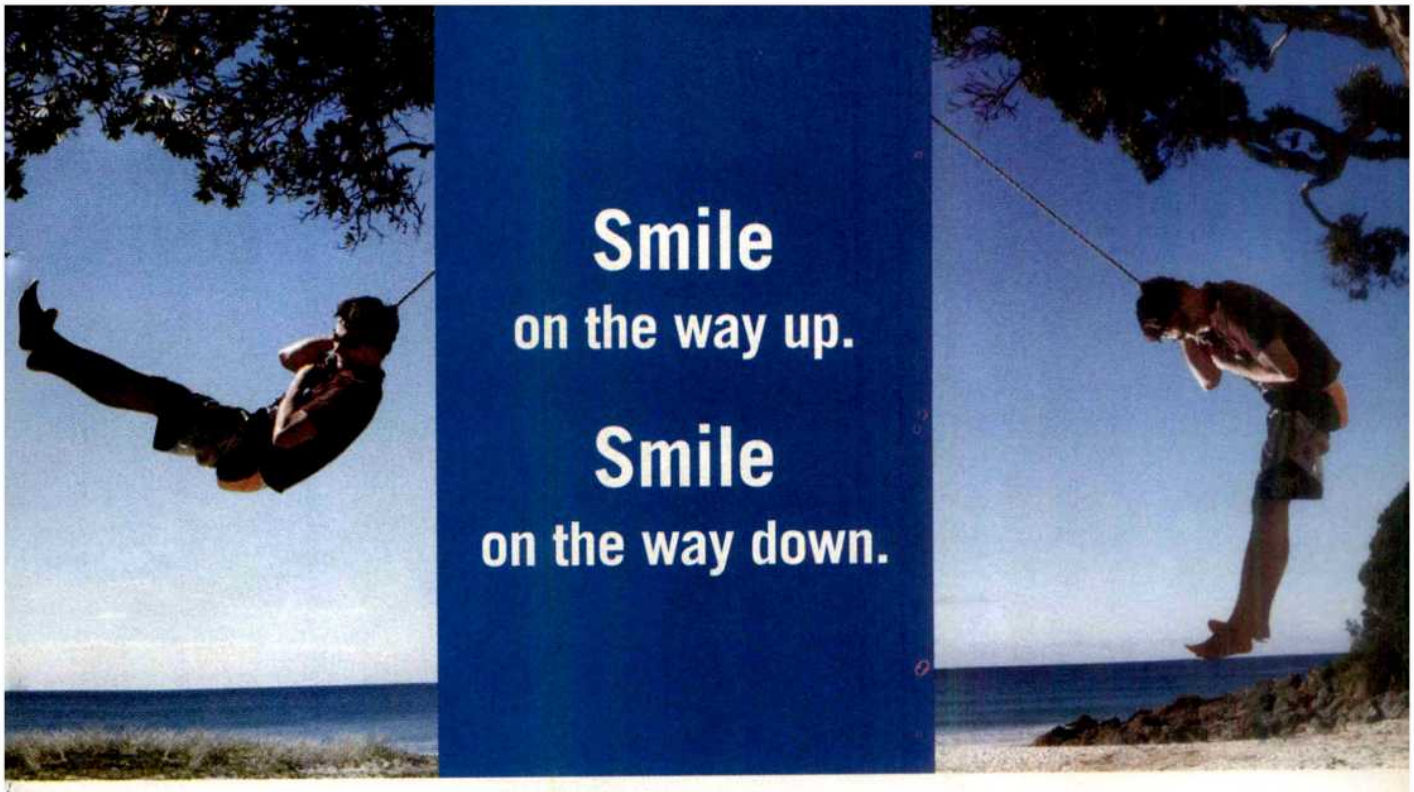
Faculty
- High quality research paper
- Visiting professors
- Well trained faculty

Specialist Units
- Institute known for marketing programme
- Institute known for mass media programme
- Institute known for finance programme

Quality of Placement
- Average salary best in the industry
- Placements abroad & in MNCs

Teaching Methodology
- Student faculty ratio
- Opinions on teaching methodology
- Industry exposure

Admission Eligibility
- Prefer students with work experience
- Admission to engineers only



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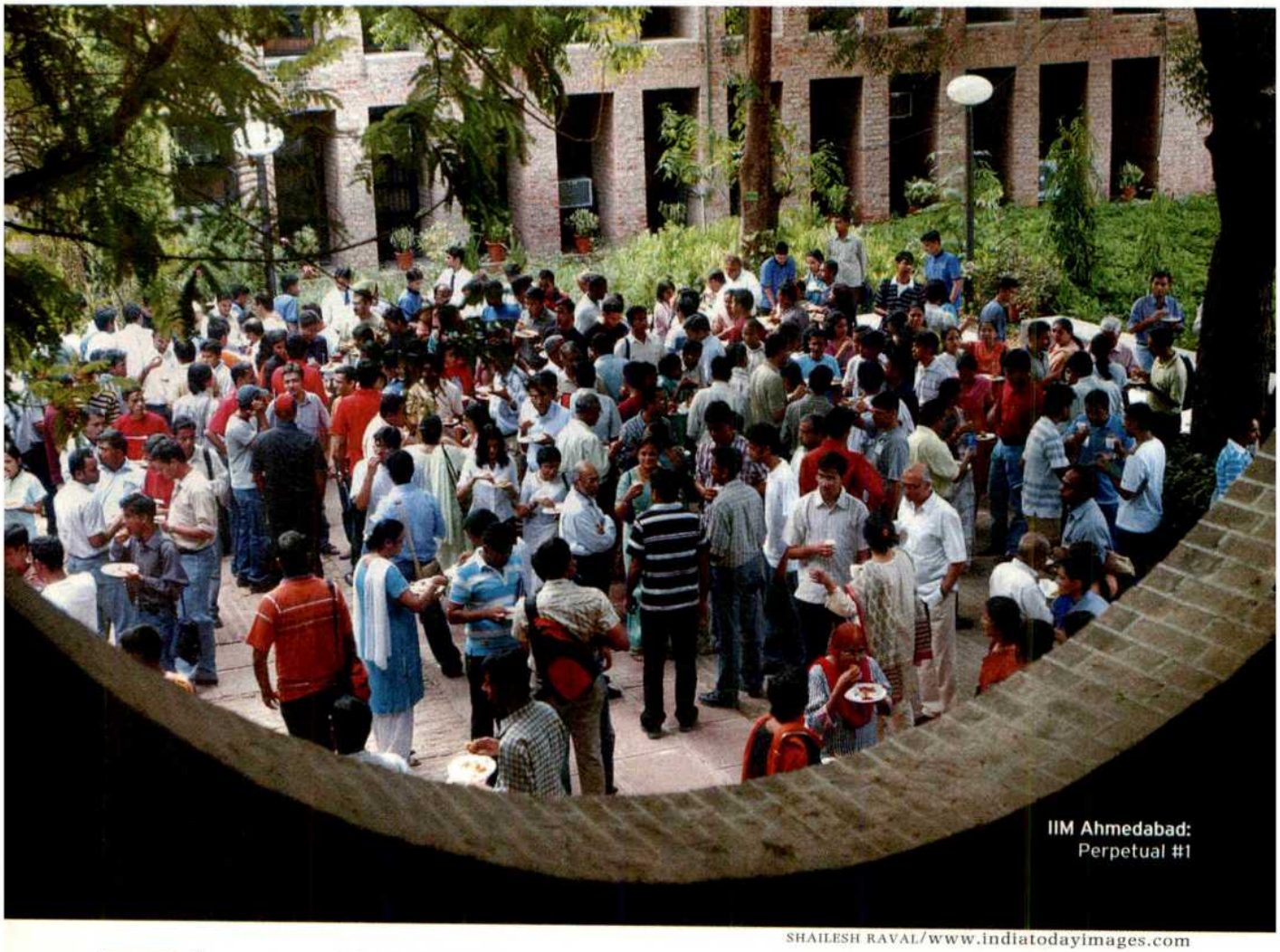

IIM Ahmedabad: Perpetual #1

SHAILESH RAVAL/www.indiatodayimages.com

The IIM Caste System

A, B and C are the cream. Can the new IIMs, like Shillong and the seven in the pipeline, ever be able to hold a candle to their illustrious peers? SUMAN LAYAK

There may be only one way to bell the CAT, but there are many more ways to skin it. A sharp mind soon figures out that preparation is the only way to score well in the Common Admission Test (CAT) of the Indian Institutes of Management (IIMs). However, in two years, by which time 14 IIMs—an addition of seven to the existing seven—are slated to begin offering courses, a high-ranker will have many more ways to pursue management education. It could be a choice between IIM Raipur, which is, perhaps, closer home, in Chhattisgarh, and the exotic Shillong IIM in Meghalaya; or again a choice between a second or third-rung IIM and a better-ranked non-IIM school.

Welcome to a future that will also see stiff competition between IIMs for faculty; clamour for higher pay as private institutions poach from them; and even teachers using the lower-rung IIMs as a stepping stone to higher compensation. Life will become

"Sharing of faculty has to be done so that the new IIMs get the feeling of what quality education is like"

SAIBAL CHATTOPADHYAY, Dean, IIM Calcutta

tougher for the deans and the directors at the IIMs as these institutes try to find their space in a three-tiered family with the institutes at Ahmedabad, Bangalore and Kolkata occupying the top three slots in this year's BT-Nielsen study and the one at Lucknow—which is ranked at #6—stepping up the ladder. The IIMs at Kozhikode and Indore (ranked #15 and #12, respectively) would qualify as the second tier. And the seven in the pipeline (Ranchi in Jharkhand; Rohtak in Haryana; Trichy in Tamil Nadu; Raipur in Chhattisgarh; Jammu in Jammu & Kashmir and also one each in Uttarakhand and Rajasthan) along with IIM Shillong, which started in 2007, constitute the third rung.

The Faculty Conundrum

R.C. Bhargava, who chaired the IIM Review Committee formed in 2007, which submitted a report last year, says that the biggest problem that the new IIMs will face is the shortage of faculty. "Forget new ones, even in the case of existing IIMs, all of them are running short of sanctioned faculty strength," says Bhargava. Adds Ashoke K. Dutta, Director, IIM Shillong: "It is difficult to find good teachers who will stay at a location like this for long. They use this as a way of getting the IIM tag and then move away to a private institute with a better salary."

One way to address the issue is use compensation to attract the best talent—from the world over. Says Pankaj Chandra, Director, IIM Bangalore: "For newer IIMs to flourish, we need to exponentially, and not just fractionally, increase the remuneration to the faculty." He adds that IIM-B had no choice but to hire faculty from overseas. Out of 14 hired last year, 10 have PhDs from top American universities. There were others who showed interest, but could not be hired because of financial constraints.

It is against a backdrop of such strain that older IIMs that have been asked to mentor the newer ones are stopping short of committing to share their faculty with the new institutes. So, how will an IIM Jammu or IIM Trichy be able to find quality faculty? Even though Lucknow is less than an hour away from Delhi by air, Sukumar Nandi, Dean (Planning and Development), IIM Lucknow, reckons that it often seems easier to find faculty for its extension campus at Noida than for Lucknow. If that's the case, imagine the plight of Shillong.

Mentors or Plain Competition?

IIM-A has taken a stand that it will not

DEBASHISH PAUL

THE ABC OF IIMS

IIM-wise break up of CEOs and functional leaders.

62%
IIM Ahmedabad

27%
IIM Calcutta

7%
IIM Bangalore

4%
IIM Lucknow

Source: Study by global CEO search firm EMA Partners titled *Impact of IITs and IIMs on India Inc. (2008)*

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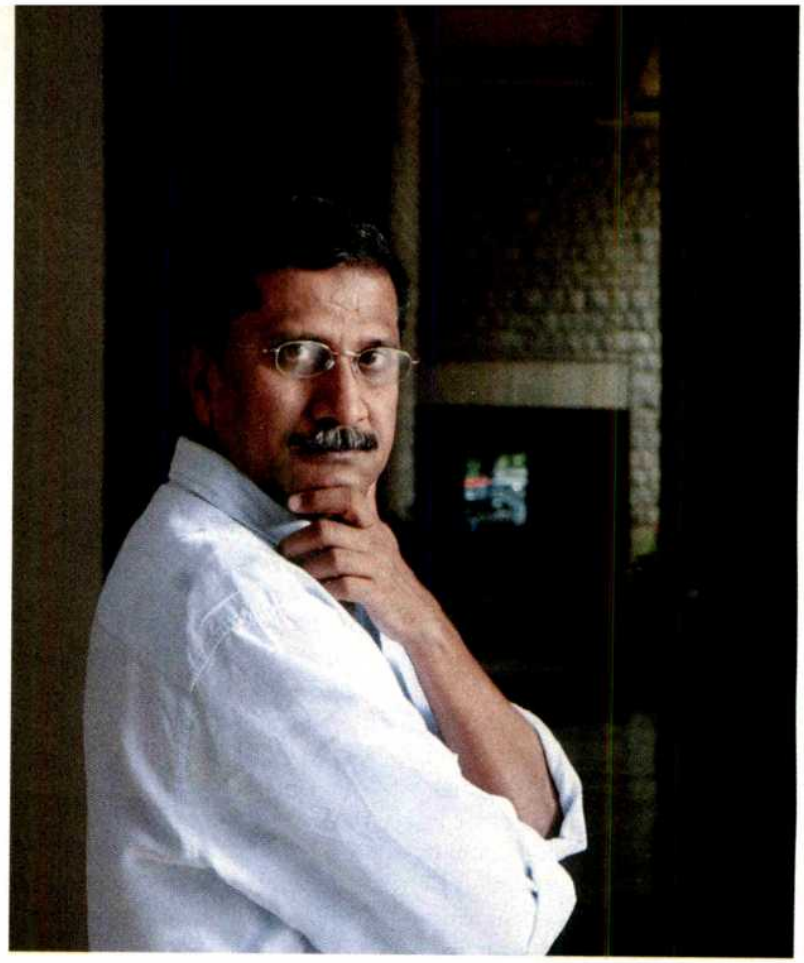
be possible for it to share infrastructure or faculty as it is already strained. The view amongst other IIMs seems to be mixed. Says IIM Lucknow's Nandi: "We do not allow our professors to teach a whole course outside the institute. That rule will not change even though we will be mentoring the IIM at Rohtak. We will see what arrangements can be made." Saibal Chattopadhyay, Dean (Programme Initiatives), IIM Calcutta, which has to mentor IIM Ranchi, isn't so sure. "Sharing of faculty has to be done, to start with, so that the new IIMs also get the general feeling of what quality education is like. This has to be done, but in a very intelligent, careful manner. We cannot be indiscriminately sending our faculty there because then our programmes will suffer." Chandra of IIM-B, which will mentor the IIM coming up at Trichy, points out: "We do have some of our faculty visiting Trichy and helping them.... However, most of them are neck deep in their own classes and research, so it would not be feasible to share resources."

Chattopadhyay explains that it is not fair to rank the IIMs in three categories; the three-tier structure almost corresponds to the number of years that an institute has been around. For instance, IIM-A and IIM-C were set up in the '60s; Bangalore came up in 1974, points out Chattopadhyay. Yet, today IIM-B ranks amongst the elite, having overcome the 10-year handicap. "Everybody needs a level-playing field... today, it is not a level-playing field for IIM Shillong and the newer IIMs," adds the IIM-C Dean.



DEEPAK G. PAWAR

"Top management schools in other emerging economies such as China are given much more autonomy"

PANKAJ CHANDRA, Director, IIM Bangalore

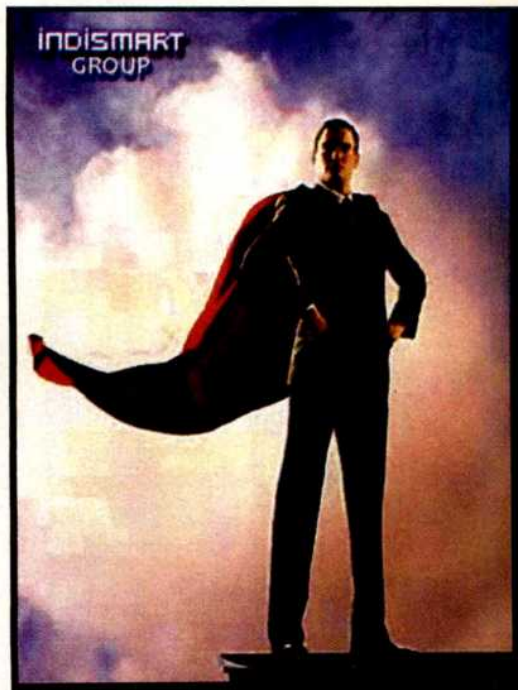
The problem, however, might just be that in the past, IIMs were flagged off at the rate of almost one every decade. In sharp contrast, eight IIMs would have sprung up in a span of five years (the seven that have been proposed as well as IIM Shillong). For the new institutes to match up to their illustrious peers, it will take a long time and plenty of effort. Samir K. Barua, Director, IIM-A, says: "From the point of view of preserving the IIM brand, it would have been better had the government permitted existing IIMs to set up campuses in other locations. That would also have meant greater synergies between the old and the new institutions." Consider, for instance, the role played by the IIM alumni in promoting their respective institutes. If IIM-A is #1, one of the factors contributing to that ranking is that almost

IIM GOALPOSTS

Targets set by the IIM Review Committee in 2008.

	IIMs A, B and C	IIMs Ind., Koz., Luck.	New and proposed IIMs
Postgrad programme intake	500 each	250 each	100 each
Fellow programme intake	20 each	10 each	5 each
Postgrad, executive training	100 each	50 each	–
Online/satellite	2,000 each	500 each	–
Papers in top 25 journals	10	5	1
Ranking in international journals	Top 50	Top 100	Top 100

Source: Report of IIM Review Committee



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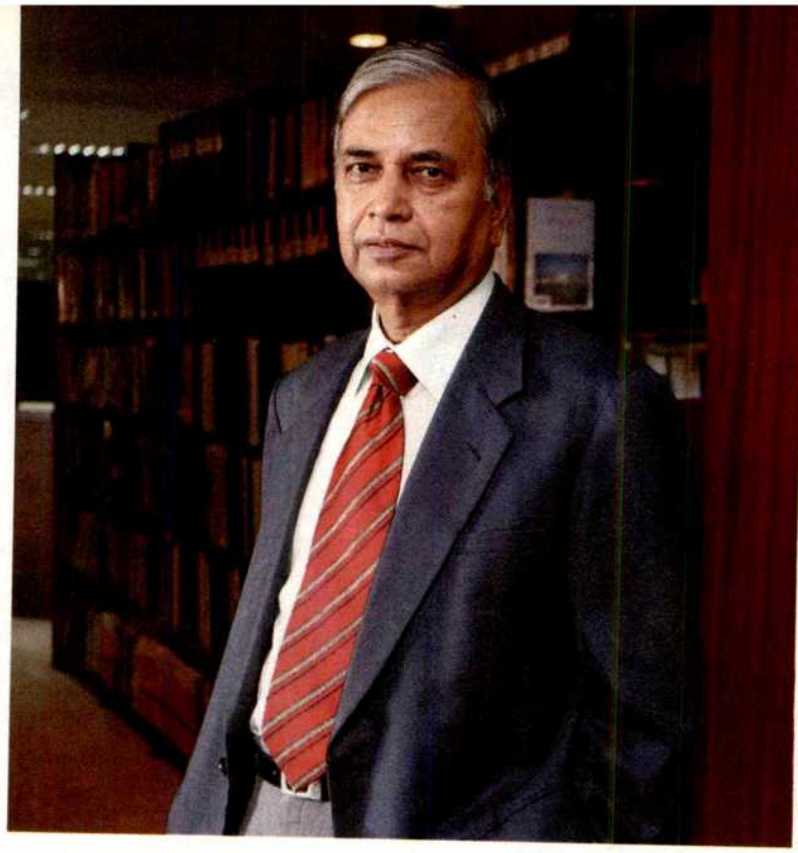
two-thirds of India's CEOs and functional leaders with an IIM degree are from IIM-A, according to a study by global CEO search firm EMA Partners. IIM-C accounts for a little over a fourth, with Bangalore and Lucknow accounting for the rest. What's more, almost half of India's CEOs and executives in strategic and business roles have attended either an IIT or an IIM; amongst these half have been to an IIM only; and another 15 per cent have been to an IIM after coming out of an IIT.

Brand IIM or Brand IIM-A

Clearly, the odds are stacked against the new IIMs. But that doesn't mean they don't deserve to exist; they could find their place in the sun—but later than sooner. "We must remember that it takes 15-20 years to build a strong brand like the three IIMs (A, B and C), which have worked hard to reach where they are today. The acronym IIM is a very strong tag, but there are several factors, including faculty, location, recruiters and research that help build the brand," says Chandra of IIM-B. Chattopadhyay doesn't believe that the new IIMs will dilute the quality of education: "Three lakh students appear for CAT. We accommodate 2,000-3,000 students in IIMs. Now, we will accommodate another 1,500. The new IIMs will get students of the same quality. They will still be at the very top as 99 percentile means 10,000."

It's a view that some find difficult to digest. K. Sudarshan, Managing Partner, EMA Partners, says: "The brand will surely be diluted. For at the end of the day, it is not pedagogy or methodology or curriculum that determines the quality of the brand. It's mostly the input quality; and the students who come in to study at IIM-A are also the best of the best." In fact, Sudarshan feels the IIM brand has already got diluted. "(That happened) after the '90s when the honeymoon of IIM grads and the FMCG companies ended."



NISHIKANT GAMRE

"It is difficult to find committed teachers. They trade in the IIM tag to move to a private institute with a better salary"

ASHOKE K. DUTTA, Director, IIM Shillong

Yet, the theory of brand dilution may just be a fig leaf to protect the elitist culture that prevails in the top-tier IIMs. "If there is brand dilution at the IIM level, then surely the individual institutes will work to strengthen their own brands," says Prakash Iyer, CEO (Cards), Future Group, who is an IIM-A alumnus. "It takes 20 years and if a tree bears fruit only after 20 years, it doesn't mean we stop planting trees. I don't grudge the use of the IIM name by new institutes that are coming up."

The global crisis that played out over the past one year may have done its bit to level the field somewhat by bringing down the superiority complex of the top IIMs by a few notches. Last year, a global team from one of the top investment banks was so upset by the attitude and swagger of the students and faculty at one of the top IIMs that they vowed never to return after the bank was treated rather shabbily at the placements. This happened just before the crisis on Wall Street erupted—evident from the fact that of these worthies all wanted to join a certain Lehman Brothers! ⊙

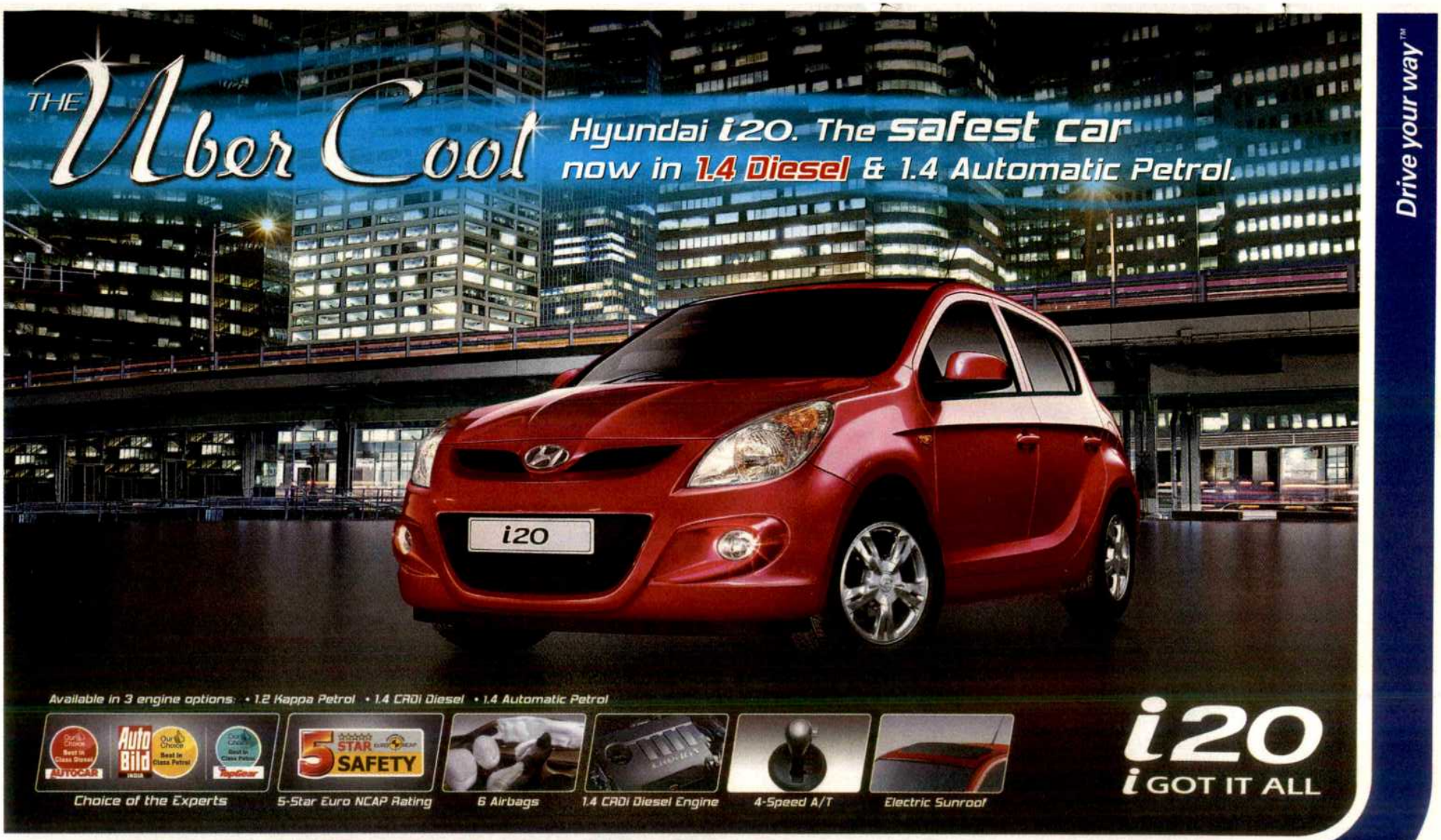
Additional reporting by Somnath Dasgupta, Rahul Sachitanand & Manu Kaushik

MORE THE MERRIER

Number of IIM inductions for the postgraduate programme.

	2006-07	'07-08	'08-09
IIM Ahmedabad	274	283	318
Bangalore	253	249	271
Calcutta	322	280	304
Lucknow	287	242	326
Indore	179	180	240
Kozhikode	186	192	261
Shillong	–	–	64

Source: Report of IIM Review Committee



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K. SUDHEER

ISB's Moment of Reckoning

This internationally ranked Hyderabad school has all the makings of a blue-chip institution. Why didn't respondents of our survey think so?

E. KUMAR SHARMA

The Indian School of Business has stellar credentials. It was started by a group of business luminaries, including Rajat Gupta, the former McKinsey chief. It has every imaginable corporate heavy-hitter on its executive board—including Lakshmi Mittal, Anil Ambani, Deepak Parekh and Rahul Bajaj. It has top-flight institutions as partners, including Northwestern's Kellogg School of Management, University of Pennsylvania's Wharton School of Business and the London Business School. It has a stunning campus, superb facilities and is located in one of the Tech-capitals of Asia, namely Hyderabad. In fact, it is just a stone's throw away from some of the top recruiters in the world and India—namely, Microsoft, Wipro and Infosys. Its international faculty, as well as student body, and its reputation for teaching excellence have even resulted in the *Financial Times* rating it the 15th best B-school this year.

So why on earth is it ranked a lowly 13th on our list, even behind tier-II establishments such as Amity and Loyola?

First, it is worth mentioning that the school has been excluded from our list since its inception simply because its one-year programme and steep tuition traditionally deterred most Indians from considering it as a

top choice. However, things change.

With other top-tier institutes, too, making a preference for students with work experience, most MBA aspirants now do consider ISB as an option—no matter its course design or fee. So, leaving ISB out of the ranking was not appropriate. Great Lakes Institute, another reputed B-school offering a one-year programme, was also included in the survey but didn't make it to the top 30 list (see *Methodology*, page 68).

That being said, ISB's rank of 13 on our list seems odd for a school with so much muscle behind it. Moreover, not only was ISB behind the top three IIMs in all the categories that B-schools are evaluated on, such as placements, infrastructure and teaching methodology but it didn't even factor amongst our primary stakeholders—Human Resource heads or aspiring MBAs—top 10 choices (see tables). While the hurdles that ISB is encountering may stem more from a problem of perception than anything else, there are other issues that dog the school in India.

ISB hasn't impressed important stakeholders...

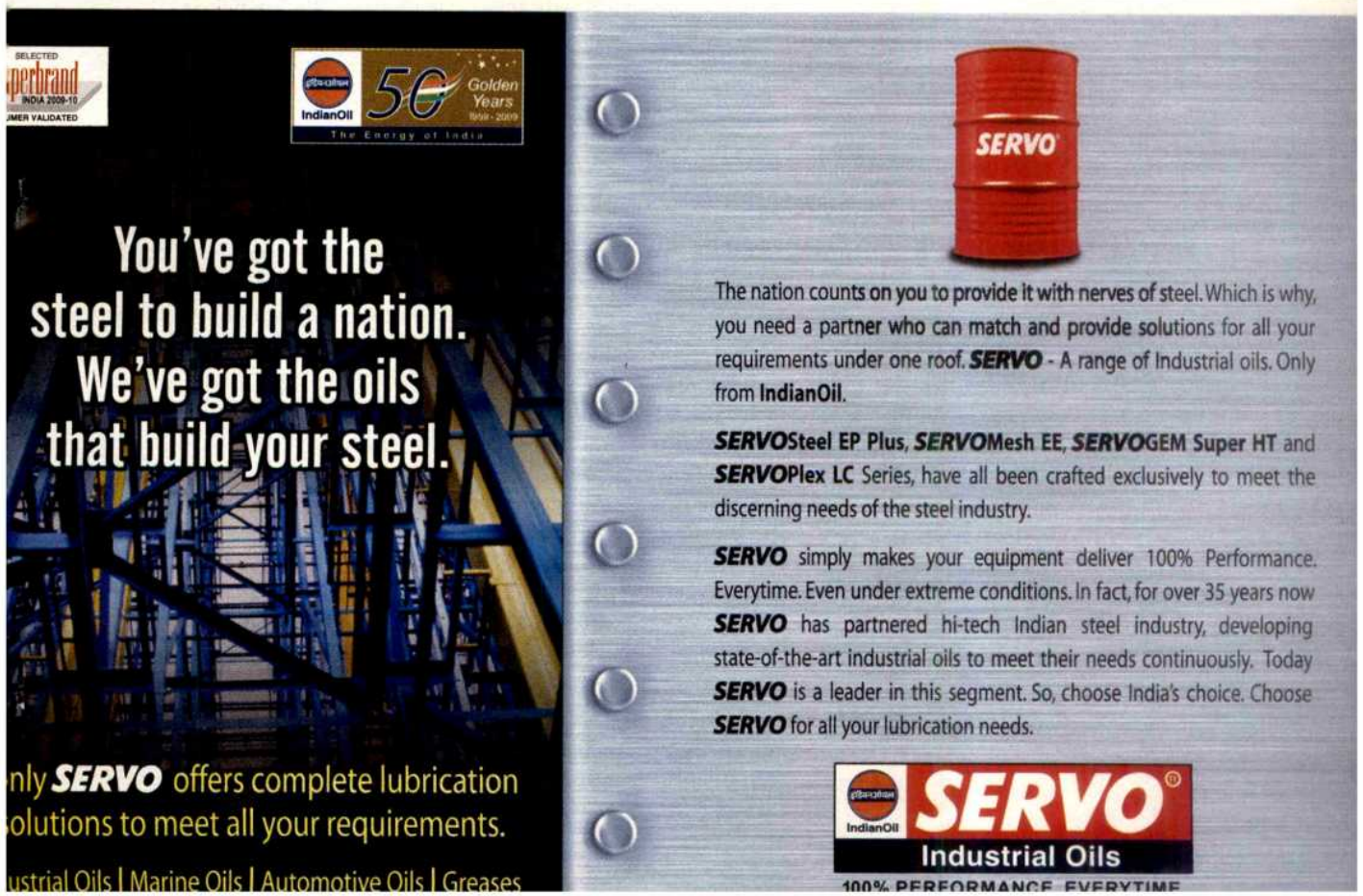
	ISB	IIM Ahmedabad	IIM Bangalore	IIM Calcutta	Symbiosis Pune
MBA Aspirants	18	1	2	3	4
Current MBA	9	1	2	3	4
HR	13	1	3	5	2
Executives	11	1	2	4	3
Functional Heads	11	1	2	3	4

Numbers denote institutes' ranking across various categories

Source: *BT*-Nielsen Ranking

First, ISB has a big price tag—it costs around Rs 20 lakh to study at ISB versus say Rs 12.5 lakh for a two-year IIM-A MBA. The problem of a high tab attached to an ISB MBA is primarily because of high costs related to running the institution. A board member who does not wish to be identified says that ironically what are in fact major strengths of the school are also causing problems for it. "While it offers wonderful infrastructure (its facilities in various buildings distributed across a sprawling 260-acre campus), this comes at a cost. For instance, the school has to deal with huge utility bills," says the board member. That apart, flying in top tier foreign faculty is also an expensive proposition.

ISB has another problem. Its student body, while reasonably diversified, is mainly from the finance, IT and consulting arenas and are looking for jobs in similar areas upon graduation. Take the current batch



...and lags top schools in many rank categories.*

	ISB	IIM Ahmedabad	IIM Bangalore	IIM Calcutta	Symbiosis Pune
Reputation	**79**	80	88	86	75
Infrastructure	**81**	79	80	83	83
Faculty	**83**	82	89	87	80
Teaching Methodology	**76**	80	84	83	74
Success of Placement	**81**	77	83	91	77
Quality of Management	**80**	73	84	95	77
Specialist Units	**53**	53	68	67	55
Admission Eligibility	**60**	60	62	49	56

* % of Respondents

Source: *BT*-Nielsen Ranking

composition: 34 per cent are from IT services and IT products, 13 per cent from finance background and 12 per cent from consulting. Now, with the IT sector still hurting, finance and consulting hiring but choosy, the immediate need for ISB is to look to other industries and this would largely mean the manufacturing sector.

"Our challenge is to convince other industries (non-IT and non-consulting) that they should be looking for high-quality talent," says ISB Dean Ajit Rangnekar. "One of the problems that I have seen in manufacturing, industrial products and such sectors is that the industry has got a mindset that we cannot afford a high-quality person," he adds. A senior representative of a leading pharmaceutical company based out of Mumbai (and one that has never visited ISB or for that matter any of the tier-I B-schools) told *BT*: "It is not as if we do not like these MBAs but for us to go and compete with a Unilever or McKinsey would be impossible because the kind of compensation we would have to offer would disturb the complete structure within the company." So, where does he go for talent? "We have never visited these campuses because we recruit from local B-schools, which have the compensation range that we can afford," says the pharma executive.

Problem is, it's not just some major manufacturing companies who are flocking to less vaunted B-schools. Larger IT companies like Infosys have also been recruiting from there. "ISB is certainly a tier-1 B-school and we hire from there but I must tell you that you have equally smart people across many other schools," says T.V. Mohandas Pai, Director, CFO & Head of Finance and Administration, Infosys. "The top 10 to 20 per cent of most of the tier-II B-schools are also very good and we hire from there, too." This means an ever-shrinking pie of companies who are seeking better value propositions from their hires.

T.V. Mohandas Pai
Director, CFO & Head of Finance and Administration, Infosys

"ISB is certainly a tier-1 B-school and we hire from there but you've equally smart people across many other schools"

Of course, all these issues would not have come to the fore if it wasn't for the slowdown, which severely impacted schools like ISB who relied on the investment banking sector to absorb many of its students. The meltdown taught the administration some lessons: "We realised that our old 80:20 model of recruitment—20 per cent of companies recruiting 80 per cent of students—was not working any more as companies were not hiring in big numbers," says Rangnekar. Plus, "in a slowdown companies tend not to need experienced people unless they bring in a specific skill or knowledge," says Puneet Jetli, Senior Vice-President & Head—People Function of Bangalore-based Mindtree Consulting. Last year, he says, his own company decided not to hire from B-schools at all and chose to pick up candidates currently working in the field. More importantly, the mindset amongst ISB-ers has also begun to change. "We seem to have a more open mind today. I see that not everyone in my batch wants to go to McKinsey," says Yannick Even, an ISB student from France .

The other issue with placements that ISB has grappled with is the massive size of their incoming class—572 this year versus 310 at IIM-A two-year MBA—gargantuan, when you consider the 128 students that ISB started off with. In a slowdown, this can easily turn out to be the school's Achilles' heel as finding quality companies to offer jobs to their students is not an easy proposition. Nevertheless, ISB says that they've been able to weather the storm. "Despite a slowdown last year, we placed 430 students without hurting quality and for an average salary of Rs 15 lakh (our 2007 level)," says Rangnekar. The year 2008 was an aberration, he adds, as the industry overreacted on the positive side and apparently went

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Red eye

ISB Dean Rangnekar (Front, second from left) with students

VIVAN MEHRA

into an overdrive. The average salary at ISB in 2008 touched Rs 19 lakh. Moreover, this year, companies seem to be already testing the recruitment waters. "Already, 52 international companies have expressed interest in participating in the placement season later this year versus less than half this number expressing interest same time last year," says V.K Menon, Senior Director, Career, Admissions and Financial Aid at the ISB.

It's not as if ISB is unaware of its problems. The school has embarked on a large cost-cutting exercise and in the next two to three years plans on becoming carbon-footprint neutral with energy-efficient and water-efficient systems in the works. More importantly, the school seems to be fully aware of its need to change its recruitment strategy. ISB, last year, initiated what it calls its 'out-reach' programme. "Since last year, we took to working on ways to broad-base the (recruiter) base," says Menon. Apparently, the results were immediate and significant. "The number of companies hiring increased in the last one year, from 230 recruiters in 2008 to 326 recruiters in 2009," adds Menon. This year, the programme has further accelerated its efforts. Instead of three to four people earlier, there are now 10 to 12 on the field, scanning potential recruiters and explaining how the one-year academic buffing and polishing at the school is resulting in differentiated products that make a compelling value proposition for companies.

Also, for ISB to truly leverage its niche as an international star—thereby competing with INSEAD and IMD or other top-tier schools—it has its work cut out for itself. Dipak C. Jain, Dean, Kellogg School of Management and one who was actively involved in the founding of ISB, says that the focus should be on building its full-time faculty (today the school has resident faculty of 35 and visiting faculty of 85). It also needs to shift from mere knowledge-dissemination to knowledge-creation through research and case studies and also attract more international students. "Only when more international students get to experience India will it eventually lead to expanding the set of recruiters," he says.

However, for ISB to become truly relevant in India, it also needs to figure out better ways to attract top-notch local students as well as local companies who can further enrich its diverse faculty and student body. May be the true place of ISB on BT's ranking will emerge next year or the year after—when it would have recovered from the woes of the downturn that has coloured the impression of the two most important respondent categories in our survey—aspiring students and recruiters. Even at its premium pricing, the institute will then be considered value for money for both stakeholders. ⊙

"Despite a slowdown last year, we placed 430 students without hurting quality and for an average salary of Rs 15 lakh"

Ajit Rangnekar
Dean, ISB

Dipak C. Jain
Dean, Kellogg School of Management

"Only when more international students get to experience India will it eventually lead to expanding the set of recruiters"

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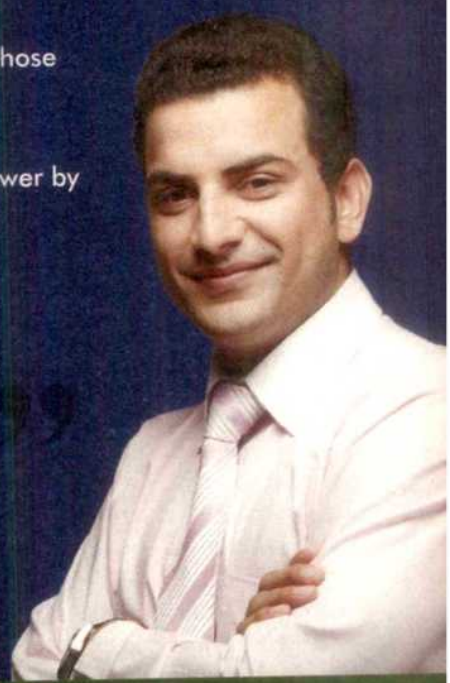
Abhishek Rao, HR Executive



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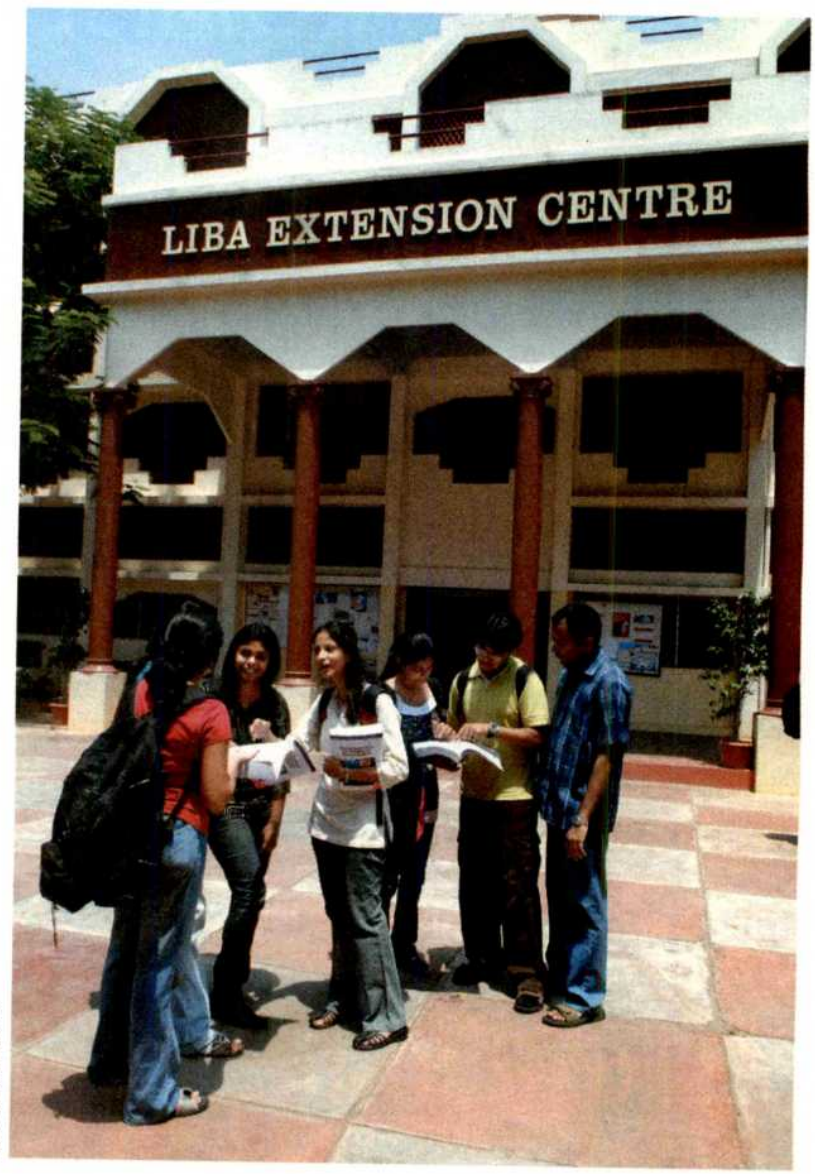
The New Middle Order

A few middle-rung B-schools have started to make their presence felt, which is only good news for the teeming MBA aspirants. RISHI JOSHI

Noida-based Amity Business School (ABS) has broken into the elite club of Top 10 B-schools in the country, doing a double nine of sorts: It's #9 this year, having jumped nine places from #18 last year. But instead of gloating over ABS's new status, Ashok Chauhan, Founder-Chairman, Amity University, talks about the road ahead. "We still have some way to go before we can catch up with the IIMs," he says. "But give us another five years and we'll be on par with the IIMs," he adds determinedly.

Whether Chauhan can walk the talk remains to be seen. But the biggest surprises in this year's *BT* rankings have come from some of the second-rung B-schools. Along with ABS, Loyola Institute of Business Administration (LIBA) and Welingkar Institute of Management have registered the biggest jump in the rankings this time—LIBA has moved up 12 places to a joint #9 with ABS—scoring high on a host of parameters like infrastructure, pedagogy, course curriculum and extra co-curricular activities.

Says Shiv Agrawal, CEO, ABC Consultants, a headhunting firm: "Some of the mid-tier B-schools are definitely providing quality education and their products have proved to be assets for recruiters." *BT* caught up with the management and students of ABS, LIBA and Welingkar to learn about the thinking and practices in these institutions that are helping in giving their students an edge in an increasingly competitive market.



H.K. RAJASHEKAR

Personality Development

Personality development and grooming is a key thrust area for all the institutes. ABS, for instance, seeks to impart basic business etiquette from day one. Says Sanjay Srivastava, Head

LOYOLA INSTITUTE OF MANAGEMENT ADMINISTRATION (LIBA) The Biggest Gainer

COURSES ON OFFER: **A full-time two-year MBA programme^**

STUDENT INTAKE: **120** NUMBER OF APPLICANTS: **5,000**

FACULTY SIZE: **24** AVERAGE ANNUAL SALARY (2009): **Rs 7.5 lakh**

^The institute offers several shorter duration programmes, too

WHY LIBA HAS MOVED UP THE RANKINGS

- Increase in popularity among MBA aspirants across the country.
- Revamped pedagogy and course curriculum.
- Ability to give precedence to talent over marks during selection.

LIBA'S RANKING OVER THE YEARS

and Additional Director-General, ABS: "We focus on personality aspects like levels of extroversion and introversion, judgement and perception and have a holistic approach to personality development." Here, every student is mentored by a faculty member, who monitors his or her progress over the two-year course, which is recorded in a personal dossier called the journal of success. Says Shivalika Gill, a second-year student at ABS: "There is a lot of focus on improving our communication skills. For instance, we have to make several presentations so that we become more articulate and confident and ready for the industry when the time comes." Adds Srivastava: "For us, it's important that each individual is a success story."

At LIBA, the lack of skills like effective communication, creativity, leadership, team-building, and listening in candidates is spotted early and intensive training is given even before the course starts to rectify those problems. "Most students move to the "A" grade level easily with this," says Father P. Christie, Director, LIBA.

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CAT 2009

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(Approved and Accredited by AICTE)

2. Two Year Full-Time Post Graduate Diploma in Management - Finance 2010-2012
(Approved by AICTE)

THE INSTITUTE: **The Institute is a *centre of excellence* for value based 'Management' and 'Information Technology' education. Core Faculty of the Institute with varied experience in Industry and Academics is augmented by Visiting Faculty from Industry, benchmarked National and International B-Schools. Being consistently ranked among the top 20 B-Schools in the country by all leading B-School Surveys, the Institute has academic collaboration with reputed B-Schools abroad.**

THE PROGRAMMES: 1. PGDM: The programme consists of six trimesters offering specialisation in **Finance, Marketing, HRM, Operations, Systems, Information Technology, International Business, Management of Services and Entrepreneurship & Small Business.**

2. PGDM- Finance: This is a unique programme designed and developed keeping in view the need of financial expertise in national/international financial sector. The programme consists of six trimesters offering specialisation in **Treasury Management, Investment Management, Risk Management and Strategic Accounting and Control.**

ELIGIBILITY: Atleast a three year bachelor's degree with minimum 50% marks or equivalent in any discipline recognised by AICTE. Students appearing for the final year of degree examination in 2010 can also apply. For more details refer CAT advertisement of 30.08.2009 in leading newspapers.

ADMISSION PROCEDURE:

- Candidates seeking admission to LBSIM are required to appear in the **Common Admission Test (CAT)** to be conducted by **IIMs.**
- Candidates are also required to register at LBSIM, Delhi through application form available with Admission Coordinator, LBSIM, Delhi from **10.09.2009 to 27.11.2009** on all working days from 9:30 AM to 8:00 PM on payment of Rs.1600/- in cash or DD in favour of Lal Bahadur Shastri Institute of Management, payable at New Delhi (Add Rs.75/- for getting the form by post in India and Rs. 200/- abroad).
- The forms are also available at selected branches of **AXIS Bank & IMS Learning Resources.**
- ***Application Form can also be downloaded from the Institute's website:* www.lbsim.ac.in** & submitted alongwith a DD for Rs.1675/- (Rs.1800/- abroad) in favour of Lal Bahadur Shastri Institute of Management, payable at New Delhi.
- Candidates shortlisted on the basis of CAT scores will be called for Group Discussion (GD), Extempore and Personal Interview (PI) at **Delhi, Hyderabad, Kolkata, Mumbai and Bengaluru.**
- The Institute uses CAT Scores for short-listing the candidates.
- IIMs have no role either in the selection process or in the conduct of the programme.

PLACEMENT: The Placement Cell maintains close liaison with potential employers. The entire batch of 2007-2009 students has been placed in reputed Indian and Foreign companies. Full details are available in the information brochure.

ACCOMMODATION: Separate Hostel is available for both boys and girls. **LBSIM also facilitates education loans from Banks.**

IMPORTANT DATES

- **Issue of LBSIM Application Form Starts : 10.09.2009 & Ends 27.11.2009**
- **Last date for submission of completed LBSIM Application Form : 27.11.2009**
- **Dates of Common Admission Test (CAT) : 28.11.2009 to 07.12.2009**

APPLY TO : **Admission Coordinator, Lal Bahadur Shastri Institute of Management, Shastri Sadan, Shri Venkateshwara Mandir Marg, Sector-III, R. K. Puram, New Delhi-110022. Ph.: 26191081, 26172407, 26161283, Fax : 91-11-26191080, Website: www.lbsim.ac.in**

Director

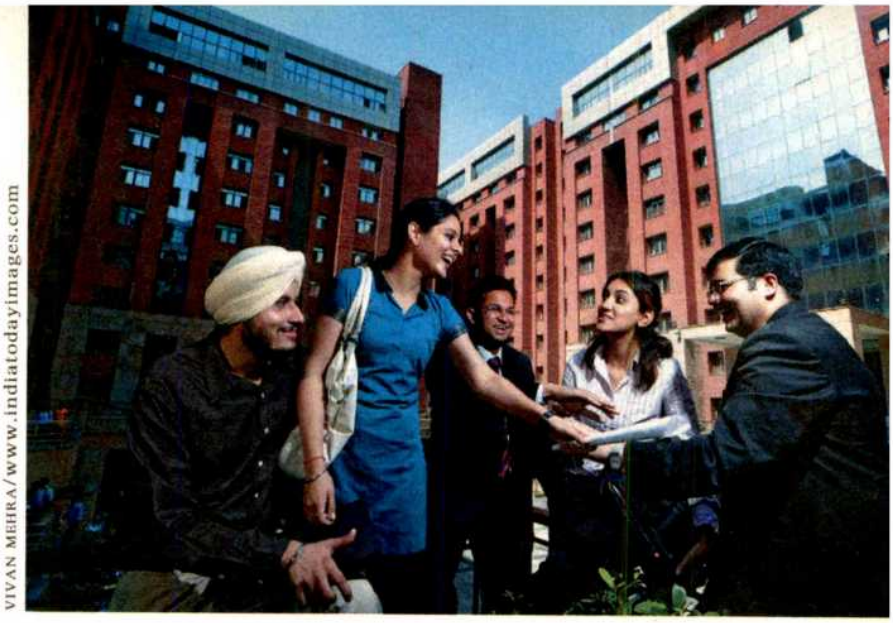
Industry-oriented Courses

These institutions lay a great deal of emphasis on regularly exposing their students to the corporate world. At Welingkar, this is done through the "Friday Roundtable". In this, 40-50 representatives of an industry are invited to the institute and groups of students make presentations on the problems peculiar to that industry and offer unique research and suggestions to deal with them. Says Dean Kanu Doshi: "In the past, companies have assigned Welingkar students to conduct in-depth research and work out solutions to crises." Adds Devanshi Vaishnav, a second-year student: "Roundtable events give us an opportunity to work closely with the industry and are an invaluable hands-on work experience."

ABS, too, has forged close ties with the industry. It assigns a mentor from the industry (a senior-level executive from a leading company) to all its students at the beginning of the course. The mentor interacts regularly with the students. Interaction with industry also takes place through the "Corporate Forum" and "Alumni Forum". Companies that are part of the Corporate Forum—these include big names such as Microsoft, Genpact and Dabur, among others—seek the assistance of ABS students in pilot projects. Says Srivastava: "Our alumni are well-placed today with leading corporates like HSBC, Microsoft and TCS and actively seek the assistance of our students on special projects." These practices have been welcomed by the HR heads of companies. Says S.Y. Siddiqui, HR Head, Maruti Udyog: "Some of the mid-tier colleges, no doubt, give a lot of exposure to their students to the industry through various programmes and this helps them get ready for the industry at the end of the course."

Pedagogy

A major differentiator for these institutes is their pedagogy and curriculum that give their students an edge.



VIVAN MEHRA/www.indiatodayimages.com

AMITY BUSINESS SCHOOL (ABS) The Second Biggest Gainer

COURSES ON OFFER: **5 full-time two-year MBA programmes (General, Marketing & Sales, Human Resource, Retail, Entrepreneurship)**

STUDENT INTAKE: **1,000** NUMBER OF APPLICANTS: **30,000**

FACULTY SIZE: **92** AVERAGE ANNUAL SALARY (2009): **Rs 5.4 lakh**

WHY ABS HAS MOVED UP THE RANKINGS

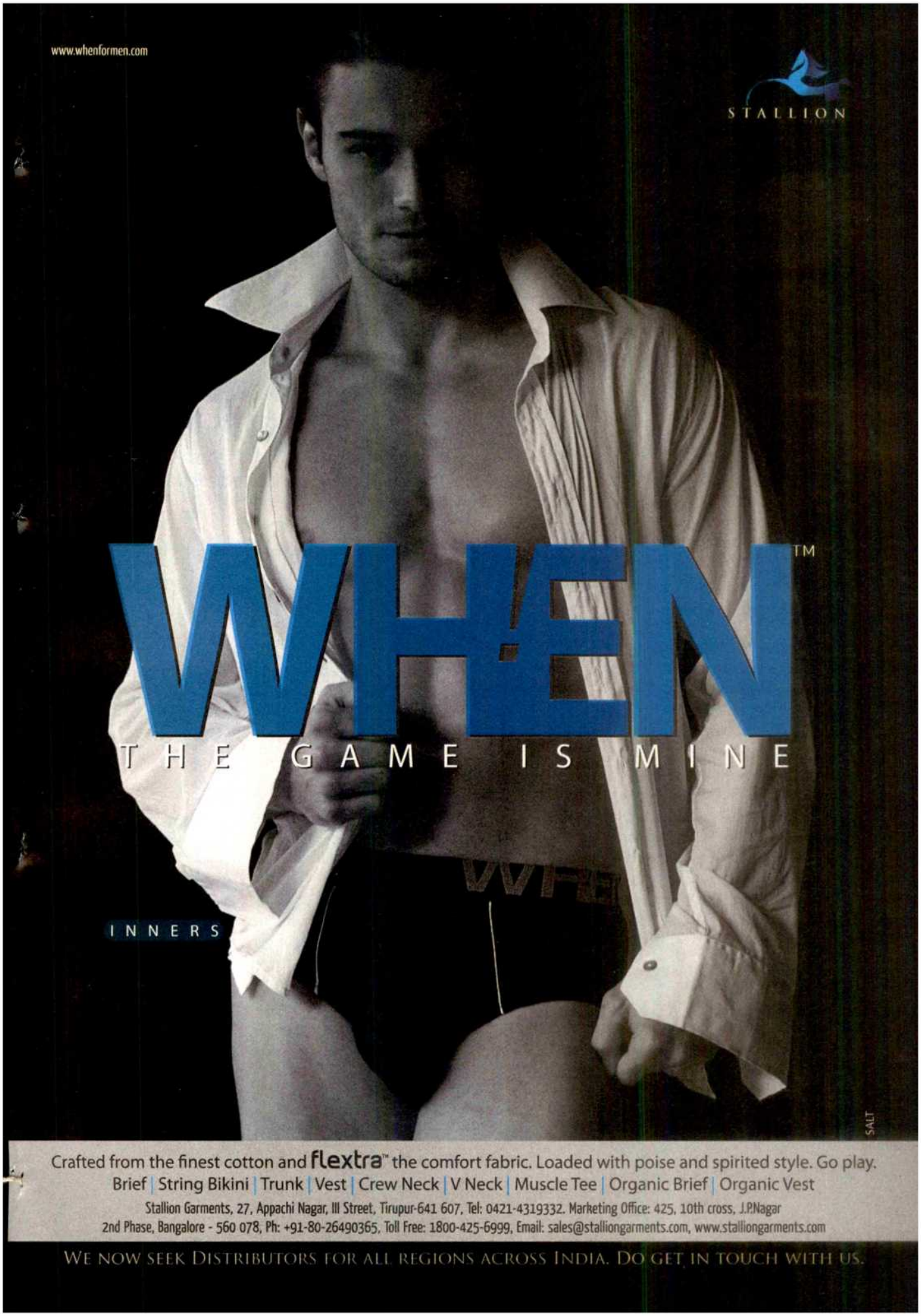
- It's gaining in popularity among both MBA aspirants and current MBAs.
- Recruiters, too, are now backing the institute.
- Its superior infrastructure gives it an edge over many B-schools.

ABS'S RANKING OVER THE YEARS

2005	2006	2007	2008	2009
18	28	20	18	9

LIBA, for instance, has completely revamped its curriculum to suit the changing demand of the industry. In 2007, for seven months, its academic committee brainstormed every Wednesday to chalk out an innovative academic strategy. "What you see today is a result of our efforts then," says Father Christie. The institute has established centres of excellence in areas where there was little or no competition—for instance, its Centre for Business Ethics and Corporate Governance and Centre for Behavioural Science. Since these centres are chaired by industry leaders, it results in a closer relationship with them, with an important bearing on final placements, says Father Christie.

Welingkar and Amity have regular visiting faculty from the industry. At Welingkar, the faculty consists mostly of people from the industry and very few pure academicians. ABS tries to give its students an edge by inviting management gurus from around the world as guest lecturers. Says Chauhan: "We have had over 50 management gurus from around the world lecture at our campus over the last five years, including the likes of Stephen Covey and Philip Kotler." This has helped the institute keep abreast of trends abroad. Says Vinay Chopra, a first-year student at ABS: "This exercise helps the institute to regularly update its curriculum in sync with the industry needs."



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Moreover, ABS is planning to set up campuses in London and Singapore, which will offer one-year executive programmes to students from across the globe. Crucially, its Indian students will have the option, from next year, to complete one semester of their education in London. Says Chauhan: 'This is important for two reasons. One, we are living in a global village now and multicultural experiences are important for management students. Then, students will also be able to build a wide network of friends. These contacts will serve them better in their professional career."

ABS has also been a beneficiary of the heavy-duty advertising by its parent Amity University, which gives the B-school a top-of-the-mind recall.

Top-of-the-line Infrastructure

Modern infrastructure is a prerequisite for modern education, and these institutes make no exception to that rule. Both Amity and Welingkar campuses are Wi-Fi-enabled and equipped with libraries with online databases and video conferencing facilities. At Amity, all classroom lectures are video-recorded and can be accessed on the intranet anytime, while Welingkar has an auditorium with an audiovisual facility scalable to all classrooms. "In terms of infrastructure, many B-schools in India match the IIMs now," says Raja S. Varadarajan, Executive VP and Chief of HR, Quatrro BPO Solutions.

There are several reasons why companies are now flocking to the mid-tier institutes now. For one, many in the industry feel that the quality of the top rankers in these schools is comparable to that of the average student from the IIMs. Also, the IIM graduates command much higher salaries, which also deters many companies. Says Varadarajan: "Companies that are unable to recruit the toppers from the IIMs prefer to pick the best talent from the second-rung institutes. The cream of these institutes can match the standards of the IIMs."

Then, there is another crucial reason why companies are looking beyond the IIMs. "Our students stay on an average at least one-and-a-half years longer with the companies that hire them compared to IIM grads," says Jayaram K. Iyer, Associate Professor (Marketing), LIBA. Concurs Siddiqui: "Students from these colleges do tend to stay longer with a company. So, training and grooming these candidates pays off over the long term."

However, while these institutes have made rapid strides recently, there is a significant roadblock in their forward march—lack of trained and competent faculty. Admits Chauhan: "Our biggest challenge, no doubt, is getting qualified teachers." He says ABS is trying to woo the best talent by offering better pay scales than the IIMs besides incentives like opportunities to work on special projects and assignments with leading companies. Until Chauhan and his peers succeed in overcoming this handicap, IIMs will continue to have an edge over other B-schools for some years to come. ⊙

Additional reporting by Nitya Varadarajan & Anamika Butalia

NISHIKANT GAMRE

WELINGKAR INSTITUTE OF MANAGEMENT

The Third Biggest Gainer

COURSES ON OFFER: **5 full-time two-year MBA programmes (MMS, PGDM, PGDM E-Biz, PGDM Business Design & PGDM Retail)*^**

STUDENT INTAKE: **510** NUMBER OF APPLICANTS: **N.A.**

FACULTY SIZE: **69** AVERAGE ANNUAL SALARY (2009): **Rs 5 lakh**

**Master in Management Studies (MMS), Postgraduate Diploma in Management (PGDM)*
^The institute offers several shorter duration programmes, too

WHY WELINGKAR HAS MOVED UP THE RANKINGS

- Recruiters have given a higher score than the previous year.
- Executives and functional heads, too, think better of the institute.
- Its industry-oriented courses—structured to meet the corporate demands.

WELINGKAR'S RANKING OVER THE YEARS

2005	2006	2007	2008	2009
26	15	15	23	**15**

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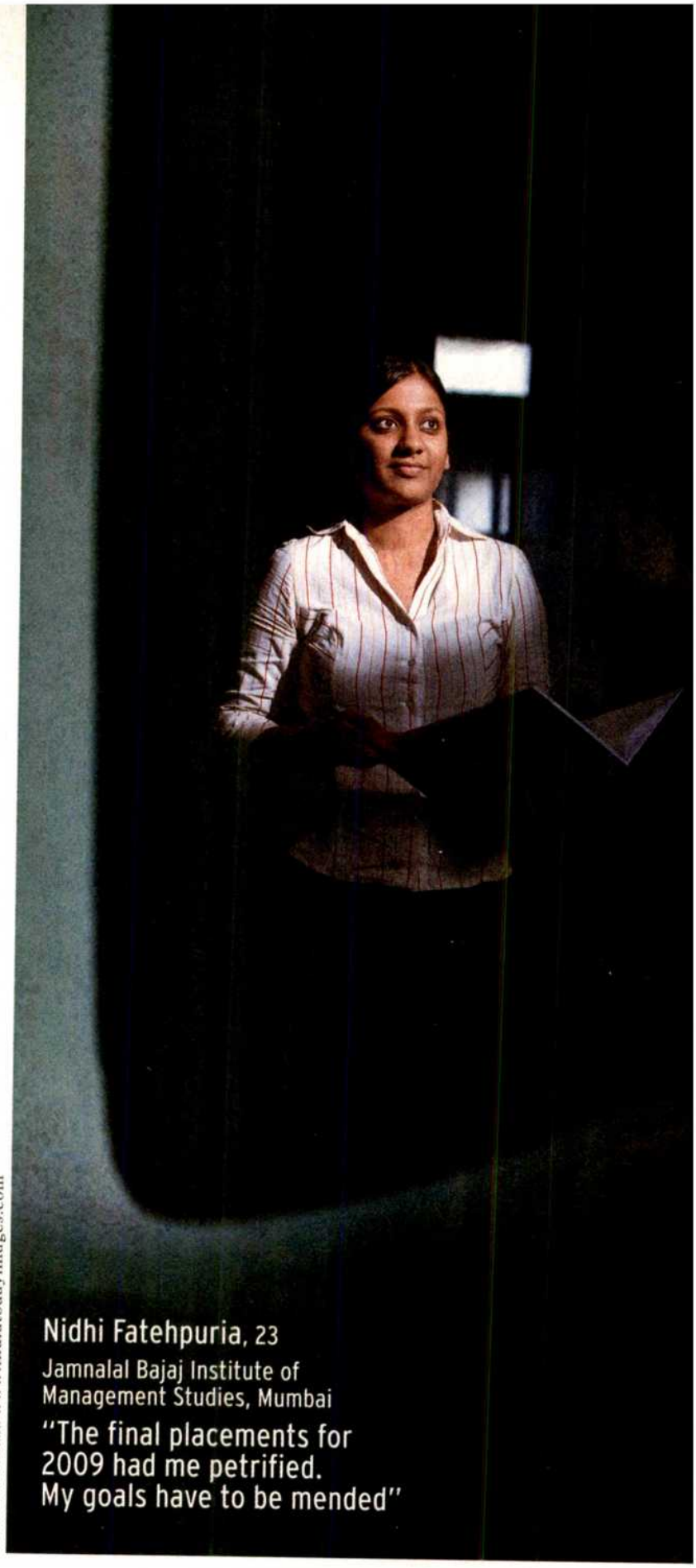
Mario Joseph Gonsalves had meticulously prepared a career plan. After working for two years at Siemens in Chennai, Gonsalves, 24, decided to pursue his dream of becoming a CEO by the age of 35. Choosing IIM, Bangalore, over Lucknow in 2008, he did not quite time it right. Just a couple of months into his two-year MBA programme, Gonsalves saw the economy go in a tailspin. Worse, his seniors struggled for placements, striving to even get Rs 10 lakh per annum offers from lightly-regarded recruiters, including public sector banks. "This was a tough time to choose to do an MBA," agrees Gonsalves, "my seniors had a tough placement season, with companies freezing recruitments, offering lower salaries and deferring placements."

As India's economy seems to be turning the corner, and business is limping back into shape, things are looking good for Gonsalves and his peer group—the class of 2010—which is hoping for a steady, if not spectacular, placement season that begins in three months. Recruiters in sectors worst-affected by the recession, including Finance and IT, are lifting their job freezes, says Professor R.L. Raina, Chairman, Placements,



RACHIT GOSWAMI/www.indiatodayimages.com

Nidhi Fatehpuria, 23
Jamnalal Bajaj Institute of Management Studies, Mumbai
"The final placements for 2009 had me petrified. My goals have to be mended"

A Brave New World for the Class of 2010

Gone are sky-high salaries and plush I-banking careers. The B-schoolers are content with stability for now. SAUMYA BHATTACHARYA

IIM Lucknow. "Consequently, we expect a rich and diverse mix of companies to throng the campus in the upcoming recruitment season."

Still, this ray of positive news cannot alter the fact that the world has changed dramatically for B-schoolers—possibly for a long time to come. Gone are the exorbitant pay packages and on-the-job perks like off-sites in Phuket. A semblance of normalcy—Raina calls it a return to sanity—has now returned to the job market. Each potential job slot from a firm that would have been regarded as middle-of-the-road last year is now a coveted position. What's more, B-schoolers across India are thinking about the job market, their careers and their quality of life in fundamentally different ways, unlike in the last decade that signified the corporate—and B-school—boom in India.

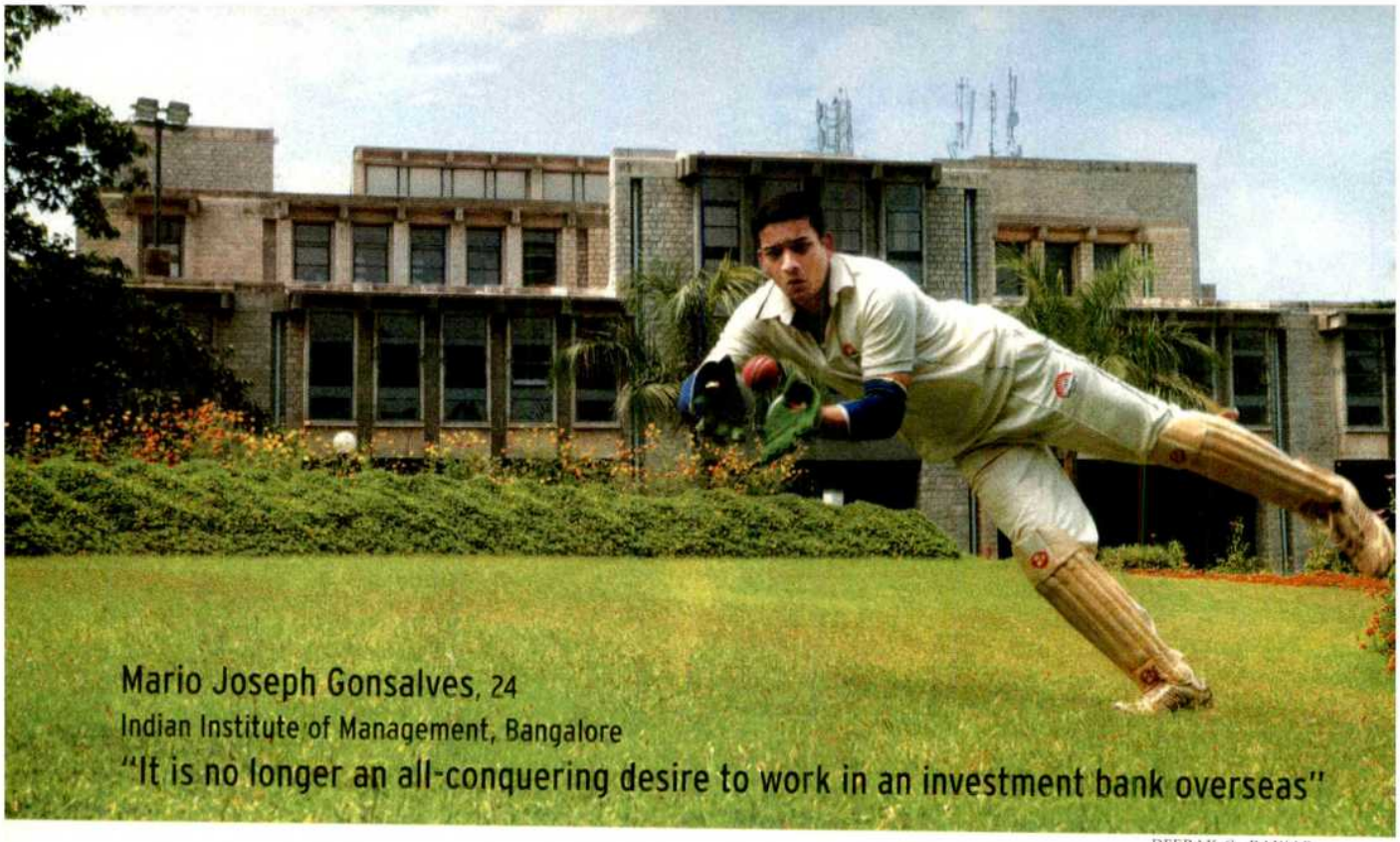
Rohan Mahajan studies at a marquee institution—IIM Calcutta—but he's not taking his pedigree for granted this year. Mahajan has adopted a "holistic route," he says, where he has taken an equal number of Finance, Marketing and Operations courses along with HR and Ethics. "I did my internship in Finance, marketing financial products, and was exposed to the strategy part. So I'll be open to all kinds of jobs," he adds. Similarly, Devika Phumphra, a second-year student from the Indian Institute of Foreign Trade, Delhi, who was already equipped with a Bachelor's degree in Finance, hoped to major in Finance at IIFT and set her sights on a plum offer from Lehman Brothers or Goldman Sachs—one of which has gone belly-up—and has had to significantly change her game plan. She's now pursuing a dual specialisation in Marketing and Finance. "The market is good for non-finance companies, so I thought of dividing my risks," she says. "I am open to sales and marketing offers now and if the market improves in a few years I can always go back to finance."

THE ADJUSTMENTS

- More than one specialisation in times of poor job market.
- Learning and job profile more important than compensation.
- Stable public sector opportunities are in demand.

Equally cautious is the IT brigade at B-schools. Last year, most IT companies had given campuses a go-by and the few who made it to campuses picked up fewer numbers. That's left K.S. Subramanian a little worried. A second-year student of Loyola Institute of Business Administration, Chennai, Subbu, as he is known, had earlier worked with Infosys for a year before he decided that an MBA degree was important. "Last year there were hardly any IT companies, this year... there are still a couple of months to go," he says. Not leaving anything to chance, he has opted for Marketing and Finance as electives in the second year and is keeping his fingers crossed for placements.

However, while financial firms and MNCs have been ambivalent about hiring students, the one unlikely winner from the downturn-affected employment crunch is a sector that high-flying MBAs wouldn't normally be caught dead in—public sector companies. Last year, 30 per cent of IIFT students settled for PSUs and this year, too, PSUs continue to be coveted. Take the case of Nidhi Fatehpuria, 23, a second-year student of Jamnalal Bajaj Institute of Management Studies (JBIMS), Mumbai. She had set her sights on a good position at a multi-national bank or a multi-national investment bank.



Mario Joseph Gonsalves, 24
Indian Institute of Management, Bangalore
"It is no longer an all-conquering desire to work in an investment bank overseas"

DEEPAK G. PAWAR

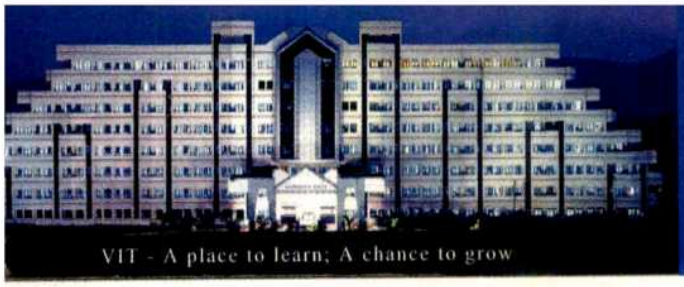
Fatehpuria was full of hope when her course began in 2008. But the final placements for 2009 had her petrified. "My goals have to be mended," she says. This has caused a dramatic shift in her expectations. Now, she would choose a PSU or even a public sector bank, as long as the job profile involved finance. "My learning curve is what's important to me, and I wouldn't say no to a 360 degree learning experience," she says, adding that she wouldn't mind waiting for a job of her liking, even if it takes months.

A second-year student at Faculty of Management Studies, Delhi, Amit Kumar thinks last year's turbulent placement season has forced him to do "reality checks". Kumar passed out of BIT Mesra and worked as a software engineer with Satyam Computer Services for close to two years. Engaging with clients there made him realise that consulting was his domain and he decided to pursue an MBA. While the dream of working for the Tata Administrative Services still glows, Kumar is more open to other options now. "Expectations are still there, but the dipping pay packets have made me more realistic. An appropriate job profile and stability are high up in my list of priorities now." Kumar is also thinking of the PSUs as an option.

The brave new world of MBAs has learnt to be realistic. This also includes programme heads. At Welingkar Institute of Management, Mumbai, Director Uday Salunkhe is holding roundtables with industry for the first time ever. "We want to get a sense of what our industry needs in terms of talent," he says. These roundtables are also his own reality check on

AMIT KUMAR

Devika Phumphra, 23
Indian Institute of Foreign Trade, New Delhi
"The good thing about the slowdown is that it has taught me to broaden my horizon and focus on priorities"



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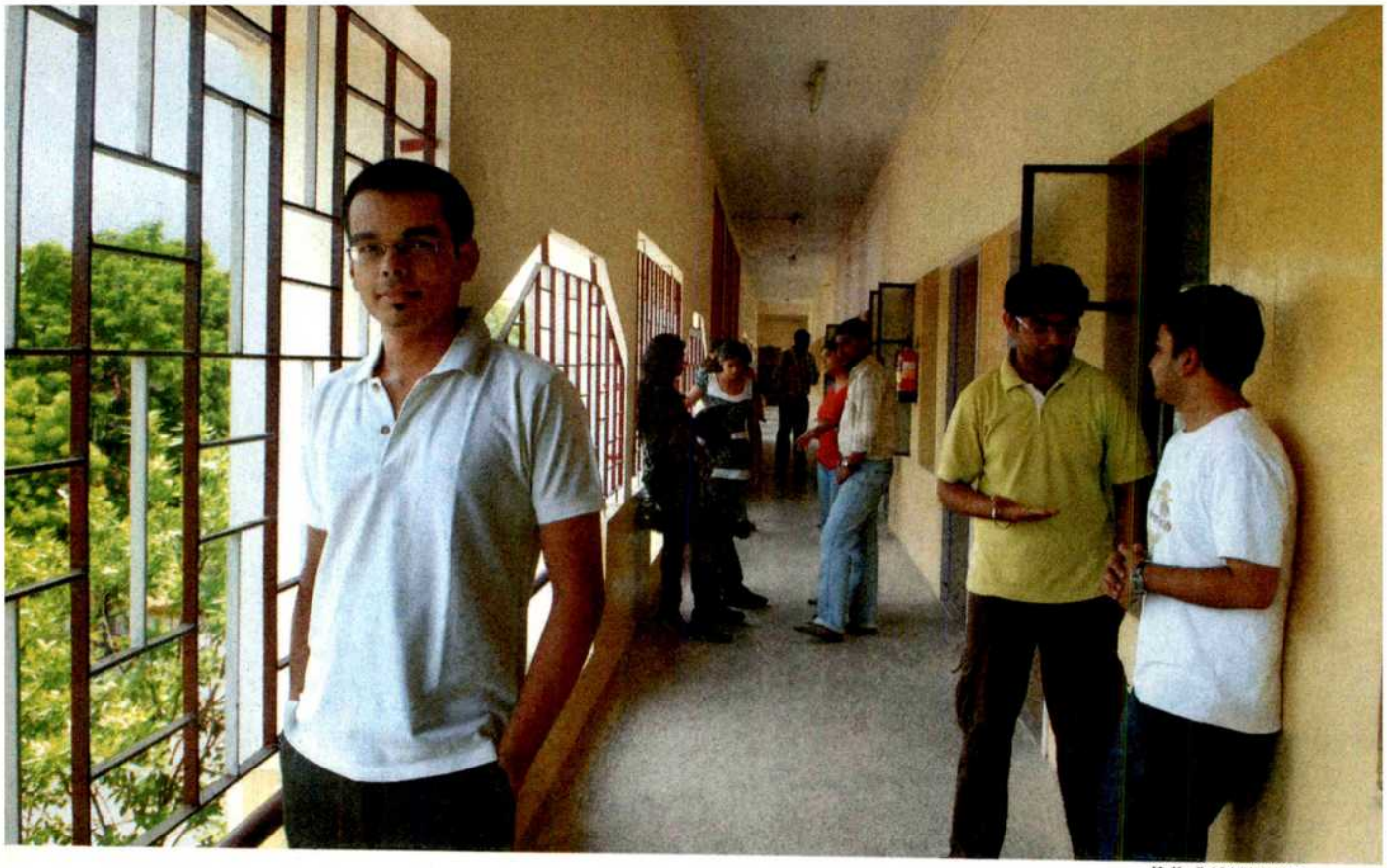


H.K. RAJASHEKAR

K.S. Subramanian, 24

Loyola Institute of Business Administration, Chennai

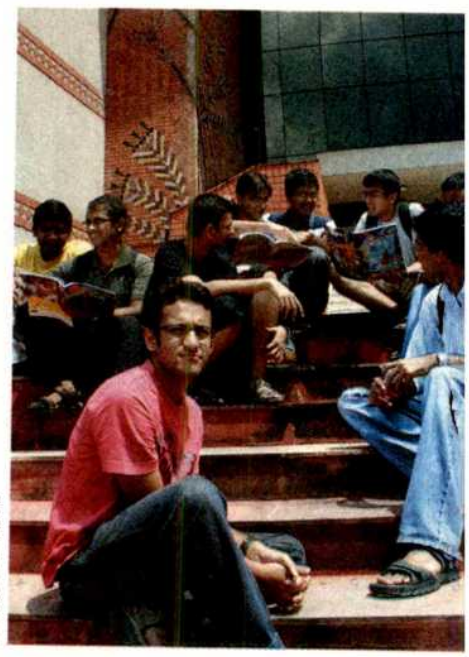
"I would not be too unhappy going to a public sector company like BHEL or SBI"

placements ahead. Salunkhe has been promising industry heads that the Class of 2010 will be far more realistic, and focussed on satisfaction and not mere packages.

"The days of the bumper Rs 1 crore salaries are history," says Gonsalves, who captains the IIM-B cricket team and bagged a pre-placement offer from blue-chip Boston Consulting Group. While he won't commit to a specific salary level this year, most of his peers expect him to settle down at around Rs 14-15 lakh annually. "It is no longer an all-conquering desire to work in an investment bank overseas," says Gonsalves. While BCG may be a typical management grad employer, for him it's the opportunity to play on the consulting firm's competitive cricket team that's an added attraction. On her part, Phumphra has decided not to compromise on profile though she has learnt to compromise on compensation. "When I entered I was expecting a package of Rs 12 lakh upwards. Now I'd be happy with Rs 10 lakh. The good thing about the slowdown is that it has taught me to broaden my horizon and focus on priorities. I might compromise with a low pay packet, but never with a profile I'm not happy with."

The new crop of MBAS seem to have learnt many valuable lessons in managing expectations, balancing risk and making compromises unlike their predecessors. And this may just turn out to be more important than anything else they could have picked up in the classroom. ⊙

Additional reporting by Somnath Dasgupta, Rahul Sachitanand, Nitya Varadarajan, Anamika Butalia and Anumeha Chaturvedi



DEBASHISH PAUL

Rohan Mahajan, 23

IIM, Calcutta

"I wanted to take up a holistic route. So I have taken up an equal number of Finance, Marketing and Operations courses"

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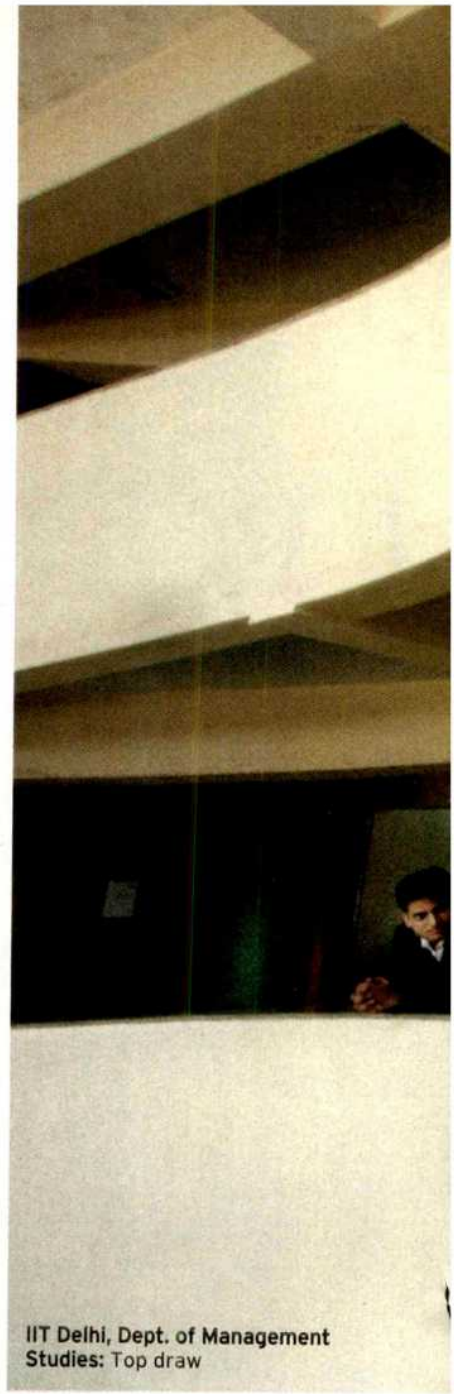
MBA from IIT

By carving a niche for themselves, the IITs are beginning to make a mark in management education too. N. MADHAVAN



IIT Delhi, Dept. of Management Studies: Top draw

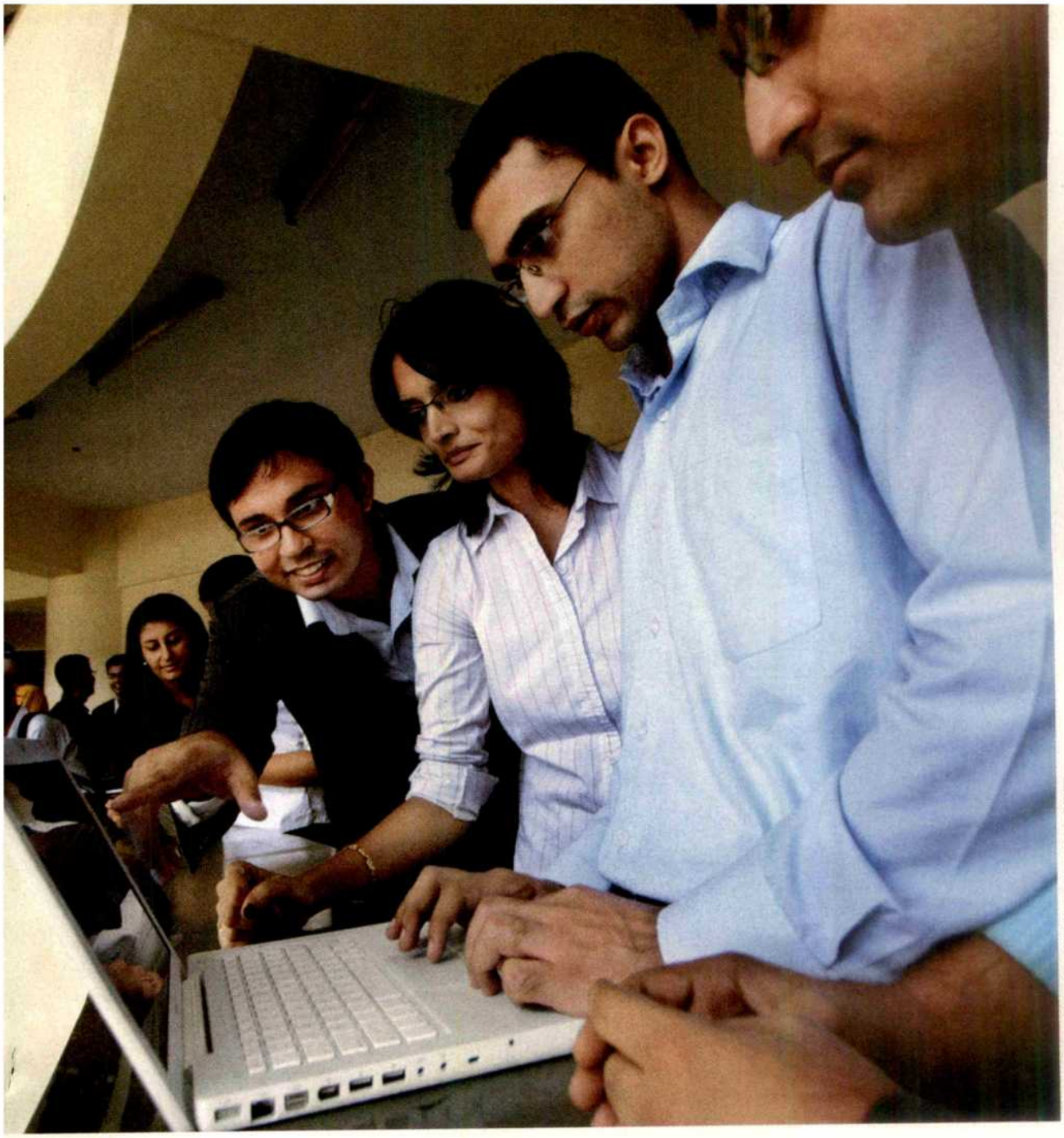
Every year, financial services major Barclays PLC recruits about 15 graduates globally for its Finance Graduate Leadership Programme based out of its world headquarters at Canary Wharf in London. In 2008, only one non-European B-school student made it to that list amidst stiff competition from London School of Economics and Cambridge University students (usually favoured for such recruitment). Gaurav Sawhney, the lucky student, neither graduated from the Indian Institute of Management (IIM) nor did he pass out of the Indian School of Business. He finished his MBA specialising in finance and consulting at the Department of Management Studies (DoMS) in the Indian Institute of Technology (IIT)-Madras!

Other IITs, too, have similar success stories to share from their management programmes. IITs' foray into management education (in its current form) has been relatively a recent phenomenon. IIT Kharagpur was the first to start teaching management in 1993 and others followed suit over the next decade. Their courses are indeed young compared to many other prominent B-schools in the country, but nevertheless, they are starting to get noticed.

In fact, starting late gave these institutions the opportunity to offer unique courses that do not typically find place in the curriculum of mainstream B-schools. For instance, IIT-Delhi offers a two-year programme on telecommunication systems management. IIT-Madras provides specialisation in business consulting while IIT-Mumbai's Shailesh J Mehta School of Management prepares students for technology management with subjects like technology policy and managing technology transfer.

"Our Management Systems programme teaches the students to make their business plans in a holistic manner," says Surendra S. Yadav, Head, Department of Management Studies (DMS), IIT Delhi. "We think that silo-decision-making should be avoided. A small decision made in the marketing department can indirectly affect the functioning of other areas—operations, IT, sales, finance, etc.," he adds. Yadav says that this 'systems thinking' and 'process-oriented approach' both help students in making informed decisions in their jobs and avoid getting trapped in local functional issues. "As of today, no other B-school's curriculum is designed in such a manner," he points out.

IIT-Madras has a quarter-based system instead of a semester pattern. The two-year course is split into eight quarters and students get to learn as many as 41 subjects. "The specialty of our course is that one can specialise in more than one stream. We also offer complete flexibility to the students when it comes to the choice of electives and the depth to which they



AMIT KUMAR/www.indiatodayimages.com

would want to pursue a particular subject," says C. Rajendran, HoD, Department of Management Studies (DoMS), IIT-Madras. "DoMS has one of the largest research programmes in India with 120 research scholars. This helps us to integrate both theory and practice," he adds.

Also being part of the IIT system has its advantages. "IIT being predominantly an engineering institution, MBA students here get exposed to both quantitative and analytical approach to problem solving," says professor L.S. Ganesh, DoMS, IIT-Madras.

They get to study with a variety of students—engineering undergraduates, post-graduates, research scholars and PhDs, which gives them a wider perspective to understanding and solving management problems, he adds. That apart, the IIT umbrella helps the students to pursue a portion of their studies abroad as a part of the various student exchange programmes IITs have with other uni-

KEY DIFFERENTIATOR

MBA curriculum at the IITs.

- Advocate a holistic approach to management than decision-making in silos
- Offer unique courses, flexibility in the choice of electives and in depth of specialisation
- Expose students to both quantitative and analytical approach to problem solving
- Provide global exposure through various student exchange programmes

versities—in most cases without having to pay any additional tuition fee. In fact, DoMS students of IIT-Madras can study two quarters in any of the 100 universities abroad that IIT-Madras has a MOU for student exchange programme.

Says Sawhney: "MBA at IIT blends the discipline of science with management skill sets. IIT is renowned for its quantitative skills and in our MBA programme we hit the right balance between the quantitative and qualitative skills. In short, my spell with IIT-Madras has provided me with an in depth ability to analyse, question and conclude."

Adds Gaurav Joshi, second year student of Telecommunication Systems at IIT-Delhi's DMS, "I had two other MBA admission offer letters but I joined here because of the IIT brand. I think after passing out of this institute, I would be better equipped to analyse situations and would be able to anticipate every possible outcome of an action."

His faith in the IIT system does not appear to be misplaced if the views of the recruiters are any indication. "Post joining, the performance of the selected students from the IITs has been comparable to the hires from other business schools," says T. V. Mohandas Pai, member of the Infosys board and director-human resources, education and research and administration. Infosys has so far recruited over 60 MBAs from IIT over the last three years. A few other HR professionals who did not want to be identified said that IIT management students were typically "ready to deploy" and fit into the middle management cadre seamlessly apart from displaying higher loyalty factor. According to Ganesh, 80 per cent of the IIT-Madras MBA graduates stayed with their first jobs for more than two-and-a-half years. These positive attributes have not gone unnoticed. Despite the slowdown over 100 companies came to DMS at IIT-Delhi for campus recruitment in 2009 and the average compensation offered to students stood at Rs 9.40 lakh per annum. DoMS at IIT-Madras also had 100 per cent placement with salary levels at Rs 8.20 lakh per annum.

IIT-Madras DoMS: Best of both worlds

H.K. RAJASHEKAR

In spite of the goodwill management education in IITs has come to enjoy, they are rated behind IIMs (average salary in 2009 for IIM-A placement was Rs 12.17 lakh). "We rank the IIMs at a higher level compared to the other B-schools," acknowledges Pai. Those involved in teaching management at IITs take pains to explain why they are not strictly comparable. IITs, they say, are much younger and their intake is far less than IIMs (for example, IIT-Delhi takes in just 75 students and IIT-Madras 90 students while IIM-Kozhikode—amongst the youngest of the IIMs—took in 261 students in 2008 for its two-year post graduate programme alone) when it comes to management education. IITs prefer to go for engineering graduates as their environment and infrastructure is structured around technology while IIMs tend to get students with higher work experience.

Also, being part of the IIT system there are structural and other limitations to growth. DoMS at IIT-Madras has a faculty cap of 25 (it currently has 16 full time professors). DMS at IIT-Delhi currently has student faculty ratio of 10:1. "It's difficult to find good faculty for this kind of MBA programme. Our existing student-faculty ratio is high and should be brought down if we want to maintain our standards. Moreover, there is an urgent need to expand the existing physical infrastructure," says Yadav.

These limitations, they quickly add, have not prevented them from producing good management graduates. According to them, the perception gap among recruiters between an MBA from IIT and an IIM is fast narrowing. Adds Ganesh, "We are running a marathon. Not a sprint. We are preparing the students for a career not the first job. We want to see where they end up 15 years later."⊙

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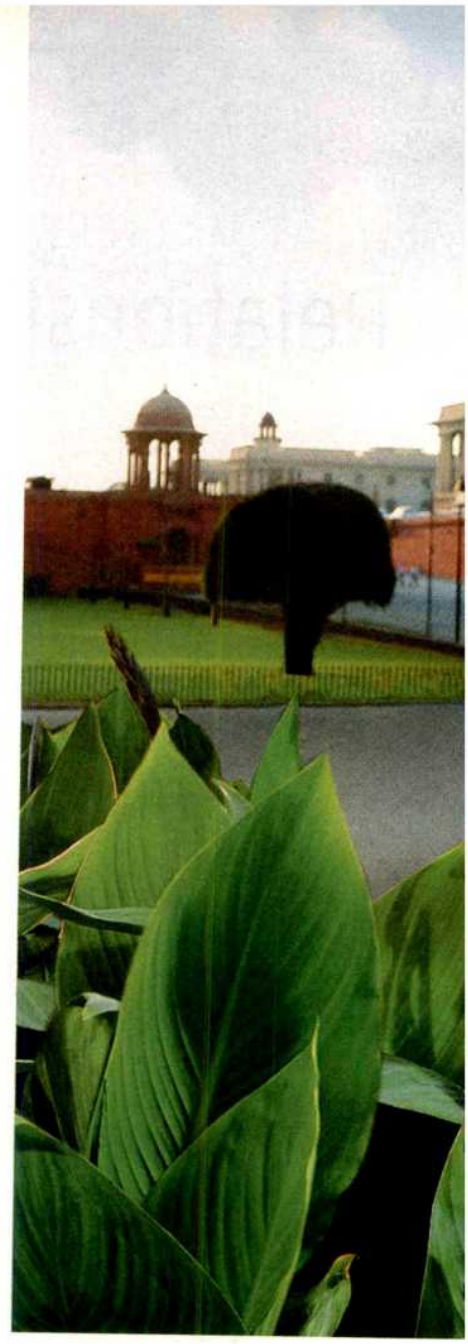
The B-School Bureaucrats

Is it worthwhile to explore a career in the government after B-school? A sampling of B-school bureaucrats answer an emphatic yes.

PUJA MEHRA



■ *Bharat Salhotra (IRAS batch 1985) computerises the accounting system of the Indian Railways, dispelling fears that computer viruses are as lethal as flu viruses to dealing with apprehensions of the consequent job losses.*

■ *Ramesh Krishnamurthi from the Indian Revenue Service (IRS batch 1992), makes electronic filing of tax returns possible in India.*

■ *J.K. Dadoo , an Indian Administrative Service officer (IAS batch 1983), takes the lead in reclaiming for Delhi much of its lost green cover, expanding it from 36 sq. km in 1998 to 300 sq. km or 19 per cent of the total area.*

What do these bureaucrats have in common, apart from having done some game-changing things? A Master's in Business Administration. Yes, there are over a hundred IIM grads embedded in India's famed babudom—at the Centre and states, in the IAS, IFS, IRAS, IRS, and even in the Prime Minister's Office.

On campus, few had plans of joining the government: most either had lucrative job offers from multinationals or were working for them when the public-good bug bit them. Next thing, they were writing the UPSC exams. Many of these MBAs have since done pioneering work in the bureaucracy.

So, did their B-school courses prepare them for government? Not specifically, said the B-school bureaucrats contacted by BT: but the grind honed their problem-solving skills, shaped their approach and attitude and taught them to set stiff goals.

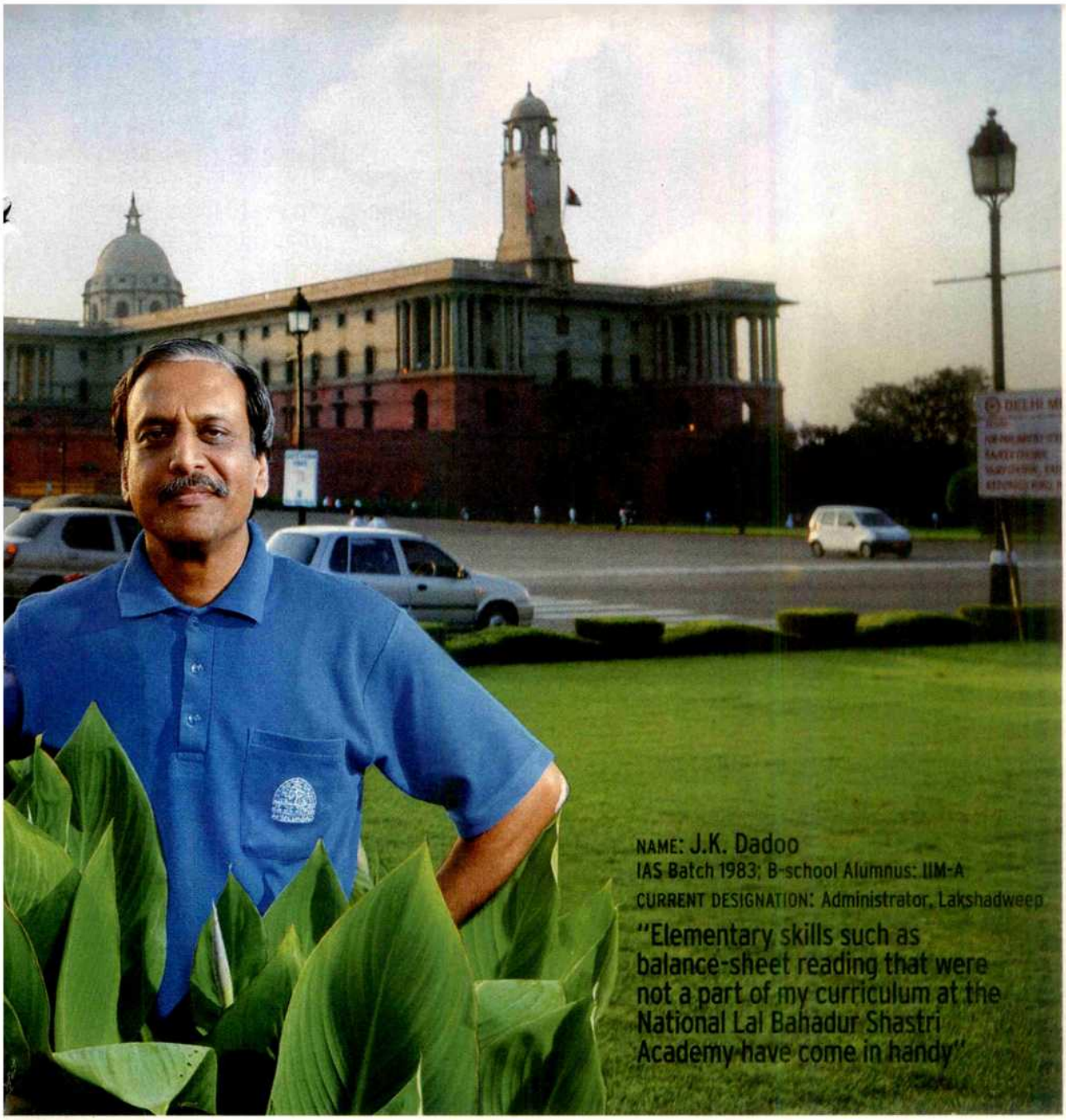
"Being at Sloan was like drinking water from a hose pipe. I've tried to bring that super-charged atmosphere to my assignments in the Indian Railways," says Bharat Salhotra (IIM-C and MIT-Sloan, IRAS 1985 batch), currently General Manager for Finance & CIO, Dedicated Freight Corridor Corp. "I learnt to pursue excellence, stretch myself, go beyond the brief to deliver the best," says Salhotra.

The general impression is that the bureaucracy treats its stars no better than its mediocre members, and there are no incentives for setting benchmarks. B-schools, however, prepare students to strive for distinction, and emphasise leadership.

"Sloan taught me to move away from the 'command and control' type of leadership to the kind where I realise that every person is hands and

THE B-SCHOOL EDGE

- **Don't just identify problems, provide solutions too.**
- **Challenge status quo, don't perpetuate it.**
- **Combine accountability, and discipline of business-world with diversity and rigour of public work.**



VIVAN MEHRA/www.indiatodayimages.com

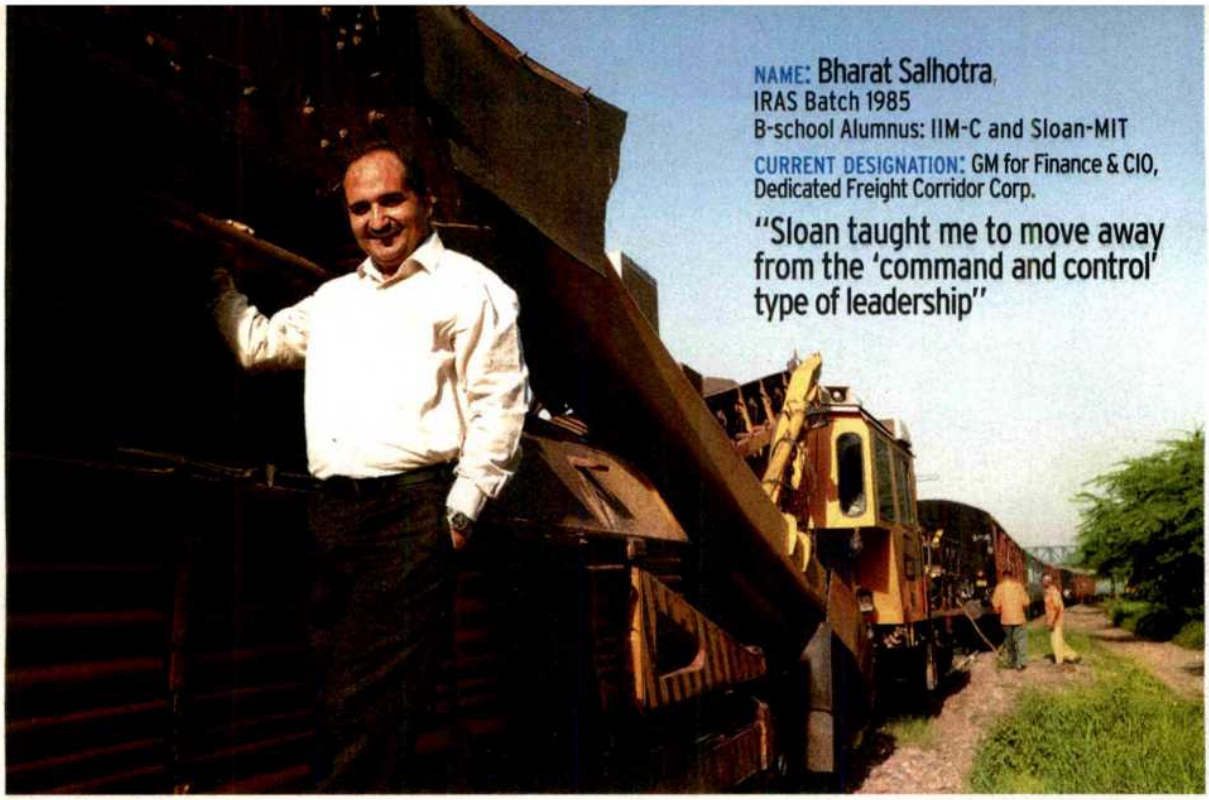
feet and head—not just hands and feet," Salhotra adds.

Do it Now, Do it Well

Here's another impression about bureaucrats: They are excellent problem identifiers, but reluctant problem solvers. The typical babu will give a hundred reasons why a decision cannot be taken, but none explaining why it should be. But in IIM-A, for instance, students cannot give up problems without designing solutions for them, thanks to the focus on case studies rather than lectures.

"They pushed us to take decisions and a project was not complete unless a decision had been taken," recalls Safi Rizvi (IIM-A, IPS batch 1989). This cop, now Officer on Special Duty to Home Minister P. Chidambaram, demonstrated these skills in one of the most undesirable postings possible in his home state of Uttar Pradesh. In 1997, as an SP, he was put in charge of the police motor transport department. Rizvi streamlined purchasing systems and plugged bogus invoices to trim the annual expenses from Rs 5 crore to Rs 4 crore in three years, while at the same time raising the number of vehicles repaired by 22 per cent. By the third year, it was doing well and he recommended that it be sold and repair jobs outsourced.

Says Rajul Awasthi, (IIM-A, IRS batch 1988): "The first thing we were taught at IIM-A was if there is no choice, there is no problem—meaning that every management issue is a decision problem. Since civil servants are faced with decision problems day in and day out, the ability to analyse different choices in a systematic way, which is one of the essentials of a business



VIVAN MEHRA

management education, is extremely useful." Awasthi, as the Officer on Special Duty to Chidambaram in the Finance Ministry in UPA's last government, was one of the key contributors to the recently unveiled Direct Tax Code—Independent India's biggest tax reform.

The Bottom Line

It's not just the IIMs' training in skills and goals; the curriculum also helps. B-school bureaucrats draw from their training, practical skills such as cost accounting, marketing, finance, organisational behaviour and human resources. "Elementary skills such as balance-sheet reading that were not a part of my curriculum at the National Lal Bahadur Shastri Academy have come in handy all throughout my 24 years in government," says J.K. Dadoo (IIM-A, IAS batch 1983), now Administrator of Lakshadweep.

But the B-school "fit" is not the only reason that prompts MBAs to look for careers in the government. It's the big picture: their batchmates in private sector jobs can at best hope to sell a few more watches, for instance, and add zeros to their pay packets. Such jobs cannot compare with those of the babus in largeness of purpose.

A dedicated bureaucrat can have a go at scripting the future of the country, at being the catalyst for turning policy announcements into action that can change the lives of the millions below the poverty line.

No Regrets

"The bureaucracy's appeal is that you don't have to kowtow to bosses and promoter/owners," says Joint Secretary in the Prime Minister's Office, Vini Mahajan (IIM-C, IAS batch 1987), whose work in the 90s as the Collector of Roopnagar in Punjab bagged the Prime Minister's Literacy Award for the district.

In looking back, would they have stayed on in their lucrative private sector jobs, given the red tape in the bureaucracy? For Nalin Shinghal, Director, Indian Railway Catering and Tourism Corporation (IIM-C, IRTS batch 1988), that's a no-brainer.

"The same rule book that babus hide behind to avoid decisions, can also be a tool," says Shinghal, an engineer from IIT Delhi who quit Tata Steel for the Indian Railways. Today, he presides over a third of India's e-commerce—IRCTC sells 2-lakh tickets a day (2008-09 sales: Rs 3,900 crore). The record of i-tickets is even better: of the 25 lakh tickets couriered last year, only 190 failed to reach their destination in time. Not bad for the public sector.

Says Ajay Bisaria (IIM-C, IFS batch 1987), Joint Secretary in the Ministry of External Affairs: "It's a myth that the government mindlessly flings you around to postings." After a rigorous stint at the World Bank, Bisaria is now going to be a draftsman for India's stand in key multilateral economic bodies like the G8, BRIC and ASEAN. "Political interference is hugely overstated. Unlike the profits and share-price-focussed private sector managers, even those who experiment and innovate enjoy immense job security in government," says Bisaria, who hasn't for a day during his career of over two decades been upset about the relatively higher private sector pay packages that his batchmates might now be commanding.

In combining the focus and solution-centric approach of management education with the rigour, diversity and vitality of the administrative services, the B-school bureaucrats get the best of both the worlds. ⊙

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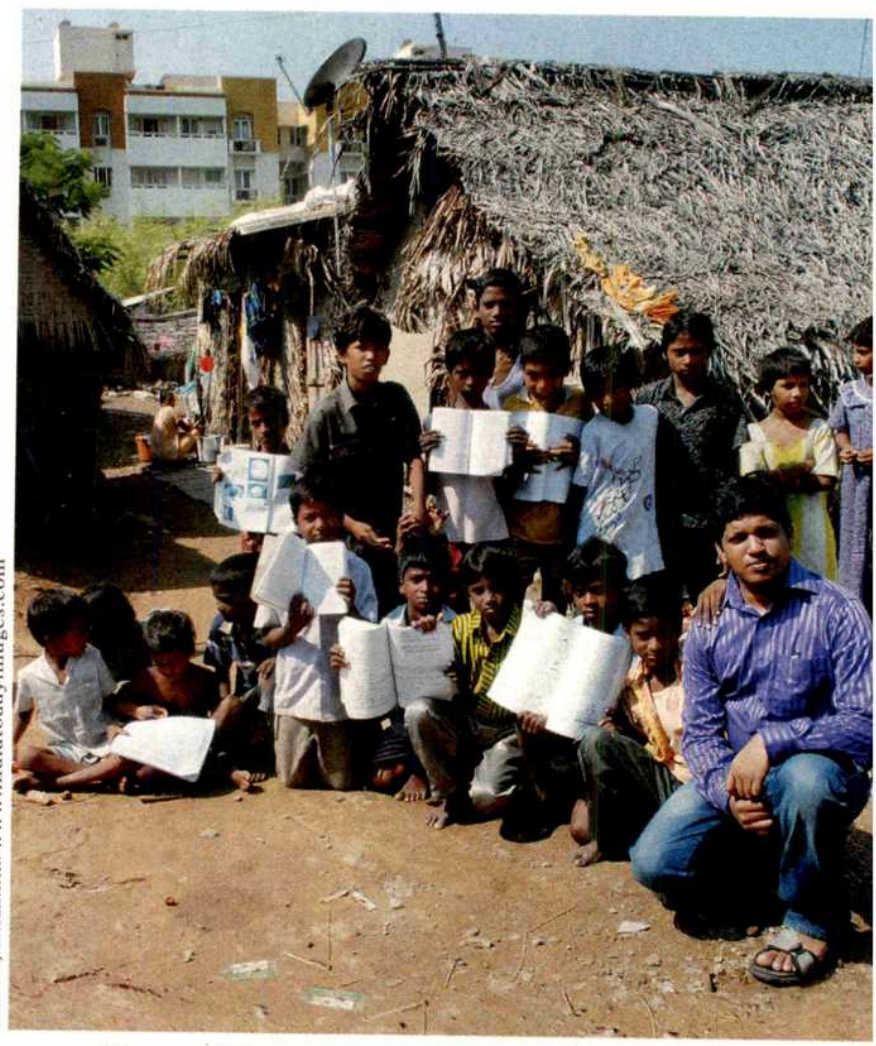
What They Don't Teach You at B-school

Not everybody in the MBA-brandishing club is keen to keep scrambling up the corporate pecking order. A few land up in places that won't figure on most placement calendars. ANAND ADHIKARI

She was the cinematographer for *Avchetan*, which won a National Award for the best film on social issues in 2003. She has shot music videos for pop singer Daler Mehndi and Hindustani classical singer Shubha Mudgal. She has also worked as a cinematographer for the title sequence of the recent Bollywood hit flick *Jaane Tu Ya Jaane Na*. Meet Malini Dasari, the internationally-acclaimed cinematographer whose life story is a bit like a potboiler itself, with quite a few twists and turns.

The biggest twist in Dasari's tale is that she is a product of IIM Bangalore (IIM-B), one of the country's premier B-schools and ranked #2 in this year's BT-Nielsen ranking of India's best



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E. SARATHBABU
30, IIM-A, class of 2006

CURRENT PROFESSION
Aspiring Politician

CORPORATE GRIND
Never got into it; shunned MNC offers, preferring instead to start his own catering business; works to generate employment for slum dwellers; stood for general elections in 2009 from South Chennai

"I want to involve myself in providing career guidance to youngsters and nurturing entrepreneurs so that they can also create job opportunities for others"

B-schools. Dasari could have settled for a fat-packet career at any high-flying corporation, along with the routine climb up the ladder over the years. Instead, the girl from Hyderabad decided to pursue her passion—to which her MBA education would have had little to contribute (not at least academically).

Dasari isn't the only MBA graduate to settle into a career that wouldn't figure on most B-school calendars. Growing disillusionment with the corporate rat race, a desire to work on a larger canvas, and a conviction that one's dream is within reach, combined with a temporary contraction in opportunities and pay packets—courtesy the economic slowdown—are persuading a growing number of MBAs to look at more unlikely careers. These range from films (making them as well as acting in them) to rural development to politics (where traditionally you could argue education wasn't an imperative, forget an MBA degree). The unconventional beckons, and for these MBAs, the B in B-schools doesn't necessarily stand for business—not the kind of business most degree-holders have in mind once they come out of their respective institutions.

RACHIT GOSWAMI

"I realised that when you're working for a large organisation the scope to do something of your own is very limited"

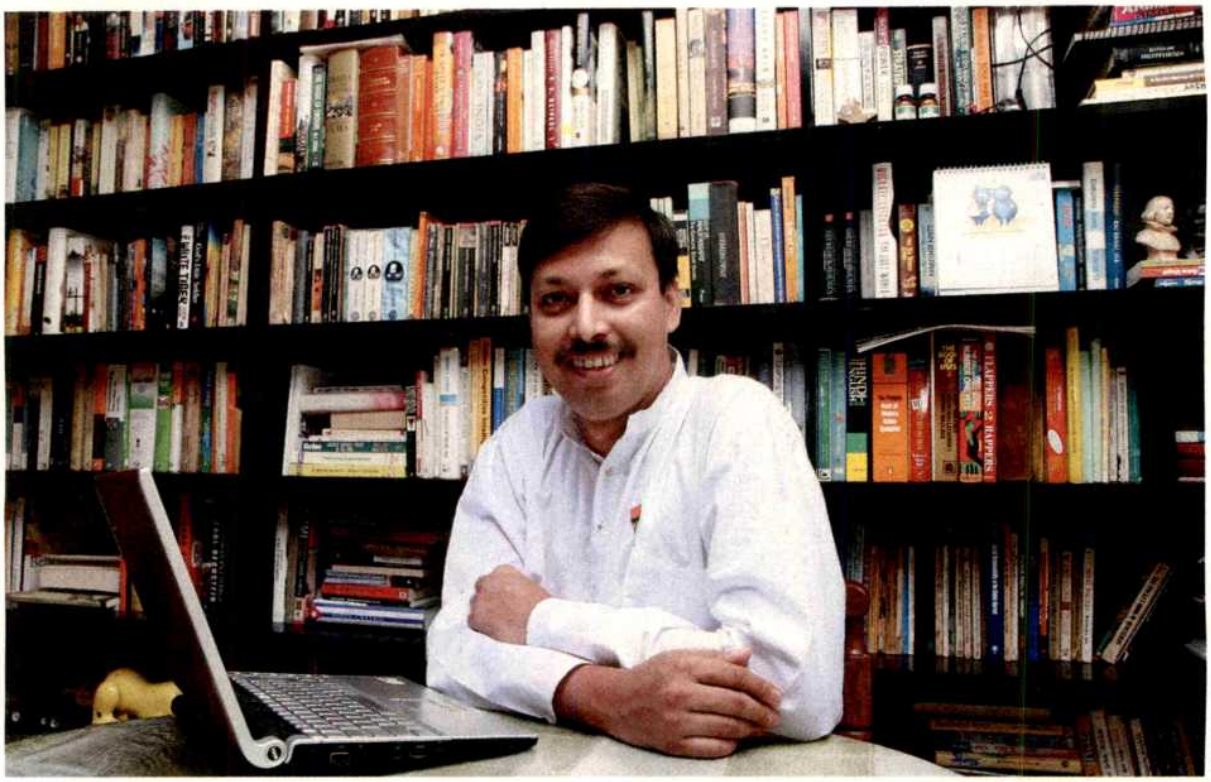
For Prodyut Bora, an MBA grad from IIM-A, that B has translated into a science he didn't learn at India's premier management institute—politics. As it has for E. Sarathbabu, another IIM-A product, who has already fought one general election (at the age of 30) from South Chennai.

Bora, 35, works as a 24x7 volunteer for the Bharatiya Janata Party (BJP), which he joined in 2004. He did dabble in social services but wasn't convinced that was the way to bring about significant change. "That's when the idea of politics germinated in my mind," says Bora, none of whose family members is remotely connected to politicians or policy makers. So, one fine day Bora shot off a letter to two BJP stalwarts—Arun Shourie and Arun Jaitley—whom he watched quite often on TV, articulating the BJP's programme and policies. "I got a response from Jaitley's office within 48 hours," says Bora who immediately joined the BJP's media cell. Bora says he is a nationalist. "I'm also against any form of dynastic politics in a democracy," he adds as an explanation for joining the BJP.

Remarkably, more than a few of these MBAs who have switched streams have chucked up high-profile jobs to chase their calling. Bora, for instance, joined Hewitt Associates as a management consultant after getting his degree; and he also incubated a software firm and ran it for six years. Dasari landed a cushy job at Xerox India, then switched to Child

WHY MBAS ARE TAKING THE LESS-BEATEN PATH

- Fewer jobs in traditional MBA-hiring sectors due to the downturn.
- Desire to do more meaningful things than just chase fat paychecks.
- Initial years in corporate jobs help many build a solid cushion.
- Finding a disconnect between their studies and work.
- MNC culture too rigid, with limited scope to work independently.



MONEY SHARMA

"You join the army to one day fight a war; you join politics to one day fight an election"

PRODYUT BORA
35, IIM-A, class of 1999

CURRENT PROFESSION
Full-time politician

CORPORATE GRIND
Worked with Hewitt Associates as a management consultant after passing out from B-school; went on to become a VP at Digital Talkies, India's first digital film-making company; also incubated a software firm and ran it for six years.

Relief and You (CRY), a non-governmental organisation, before chasing her passion in cinematography. "It was fun working for a company (Xerox) known for its good HR practices," recalls Dasari, who made the shift to the company's New Delhi headquarters as a trainee.

But it wasn't long before Dasari, the daughter of a photographer who runs a photo studio in Hyderabad, began to get restless. She felt that the sales team was receiving most of the encouragement and motivation from the top brass. Eventually, it got to the point when "I wasn't too sure whether HR is what I should continue doing my entire life," recalls Dasari, who quit Xerox abruptly. She tried her hand at sales but was quick to figure out that there was no full-time slot for her due to a job freeze. That's when it struck her that the MBA and its apparent fruits (fat pay-packet, high-profile placements) were actually making her drift away from her dream. "When you are working, you realise that the scope to do something of your own is limited. Sometimes it becomes so frustrating and de-motivating that it slowly tends to kill the fire in your belly," says Dasari.

But it was her six-month stint at a (lower-paying) job at CRY—where Dasari was virtually her own boss, handling the finance, marketing and advertising functions—that gave her something neither her degree nor her Xerox posting could: The confidence to work on her own. That's when she decided to bid goodbye to the corporate world and take up what she was most passionate about—cinematography. For someone with no formal training or connections, Dasari has few complaints and zero regrets about quitting a cushy corporate job. She later completed a 3-year-course in cinematography at Film & Television Institute of India (FTII) to start her new career.

Unlike Dasari and Bora, Sarathbabu was in no mood to pussyfoot around in the corporate world. He was pretty clear about what he wanted to do. "There are millions of people who live in hunger even after 63 years of Independence. I know what hunger is and I want to work on this mission (of reducing hunger) till my last breath," says Babu, 30, whose mother sold *idlis* to educate him.

One avenue for doing such work is by getting into politics—without any backing of a mainstream party and resources. In just three years

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The National Management School offers its programs in collaboration with The Georgia State University. The certificate issued to students on completion of the programs is co-signed by the Deans of NMS and Georgia State University making it an internationally accepted certificate.

GSU's MBA program for working executives has been ranked among the top 10 for 13 consecutive years. NMS follows a 3- axis curriculum - functional discipline, industry knowledge, and cultural exposure.

Programs

The Programs are available both as a Full time 2 year program and an Executive Management program for working executives offered for the first time in Tamilnadu as a weekend program.

Faculty

When it comes to good faculty, NMS brings in the very best. With the largest contingent of 270 visiting faculty from the US; almost all with American Phds, and all of them either full professors or Chair Professors, NMS promises its students truly world class education.

Industry Interaction

NMS offers students an outstanding opportunity to interact with the top brass of the industry through its CXO panel of over 100 top executives. These captains of industry will spend a day each on campus to interact with, and mentor, the students.

Facilities

NMS has a world class campus on OMR (IT corridor in Chennai) equipped with the latest technology and amenities. Classrooms are designed to match the North American Conference Centre Association standards. The NMS library is slated to become one of the best in country with the most current books, journals and online subscriptions. NMS also offers top class student housing facilities.

Admissions

NMS has Fall, Spring and Summer admission cycles. GMAT, CAT and XAT scores are accepted. The online application form demands a lot of information. Short listing is done by the admissions office, and shortlisted candidates have a detailed telephonic interview with the Dean, followed by a rigorous assessment process by an industry panel.

Financial Assistance

NMS offers financial assistance like never before to enable students to pay in easy installments including an option that enables a monthly payment of just Rs. 15,000 for 72 months. As far as education financing goes, it doesn't get any easier than this.

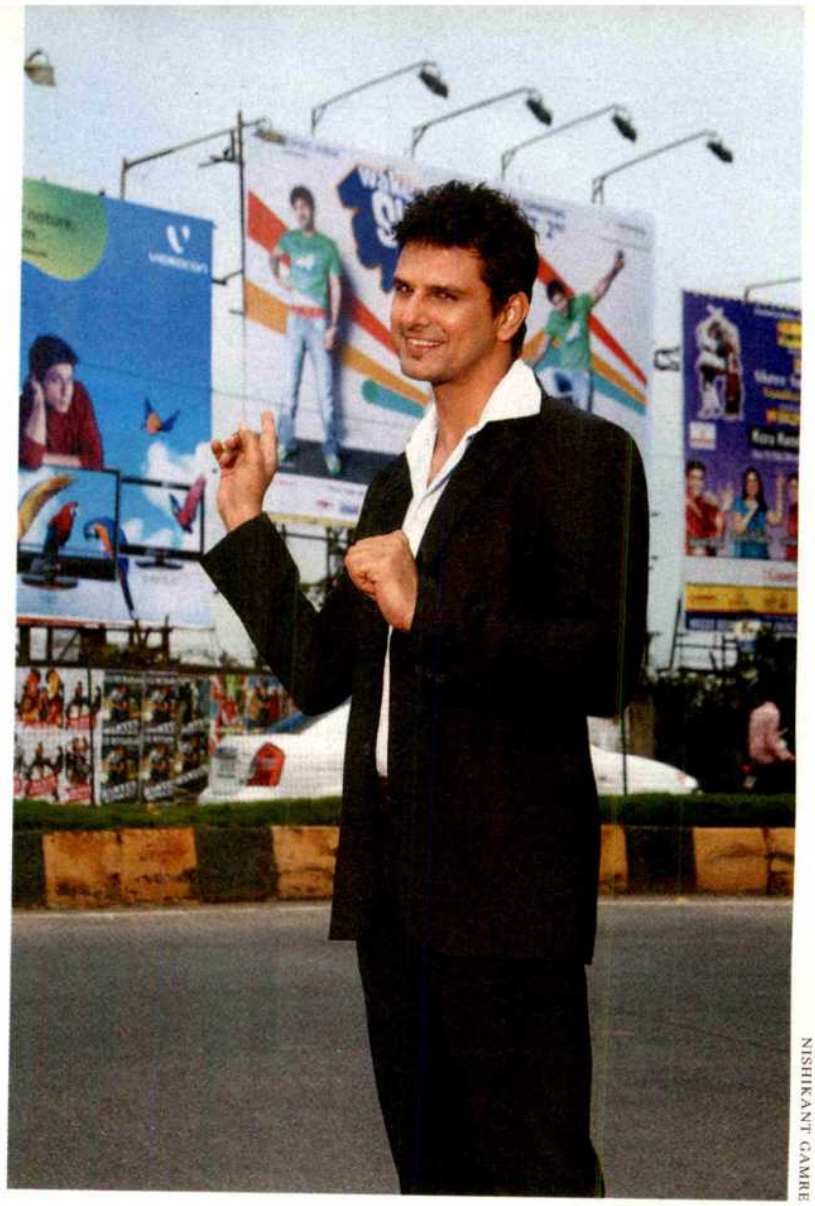
Placement

With the CXO panel in constant interaction with students, and placement cycles at different points in the year when other management schools do not have completing batches, students at NMS have the highest chances of excellent placement. NMS truly ensures that academic-industry interaction becomes the foundation for bright careers.

www.nms.edu.in

after passing out of IIM-A, Babu contested the 2009 Lok Sabha elections as an Independent candidate from South Chennai in May '09. He didn't get far, but that hasn't deterred him. Babu says he will be back. Till then, he will continue to work with the underprivileged and run his company, Food King Caterers, which provides high quality food at canteens like IIM-B, BITS Pilani, and others. Babu also offers career guidance to youth in slums and claims to have helped some 60 of them become budding entrepreneurs.

Not all alternative MBA careers are altruistic. A few are far from it. Consider for instance, Siddharth Narayan, an MBA from the SP Jain Institute of Management, who worked in the Bollywood blockbuster *Rang De Basanti*, and who's gone on to become a star in his own right. There's also IIM-A alumnus Ram Mohan, a failed entrepreneur (as he calls himself), whose first budget Telgu film *Ashta Chamma* is being taught as a case study at ISB.



NISHIKANT GAMRE

SANDEEP RAJORA
32, MBA-Pune University, class of 1999

CURRENT PROFESSION
TV Actor

CORPORATE GRIND
Worked for Times Bank in Goa and an Israeli-based software company, Cimatron, in Pune before shifting base to Mumbai to try his luck as a model and actor.

"A MBA degree helps you in understanding the whole dynamics of TV channels"

Not quite there—not yet—is Sandeep Rajora , an MBA from Pune University who has worked in ad campaigns for a host of brands and bagged several acting assignments. The son of an army man, Rajora quickly got tired of stints in the banking and corporate sector. In 2001, he went on to win the *Gladrags* Manhunt contest. The fairy-tale ride began soon after. He took a six-month timeout to try out a new career. Since then, he has figured in commercials for Raymond, Toyota Corolla, HSBC and ICICI Bank, and worked in popular soaps like *KKusum* and *Kahani Ghar Ghar Ki*.

So, has the MBA been of any use at all for these offbeat careerists? "An MBA helps you think in a structured manner," says Bora, who today heads the BJP's IT cell. He has seamlessly expanded the IT cell to 20 states across the country. "I remember the words of my MBA professor who once told me: we teach you management, not business," adds Bora. "It's all about management at the end of the day," believes Babu. Rajora pipes in: "A rigorous MBA degree helps you in understanding the whole dynamics of TV channels, production houses and the ad world."

Like any true-blue MBA grad, these guys and gals also nurse ambitions. The only difference being that it goes beyond money, power and status. Dasari wants to be counted in the big league in cinematography. Rajora wants to be a star in a Bollywood hit. Bora wants to represent the BJP in Parliament. And Babu wants to win a general election on his own steam. As Bora puts it: "You join the army to one day fight a war; you join politics to one day fight an election." His professors at the institute will approve. ⊙

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DR. SUBRAMANIAN SWAMY

Formerly Professor and currently adjunct Professor, Harvard University is our Chairman of Board of Governors. He also teaches Advanced Business Economics at **SCMS-COCHIN.**

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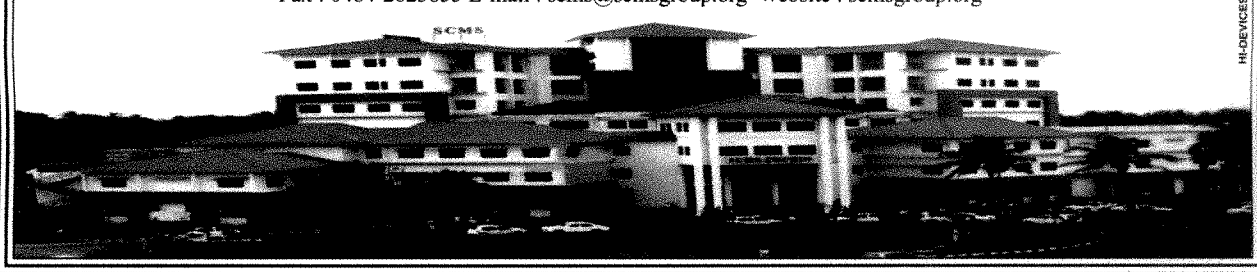

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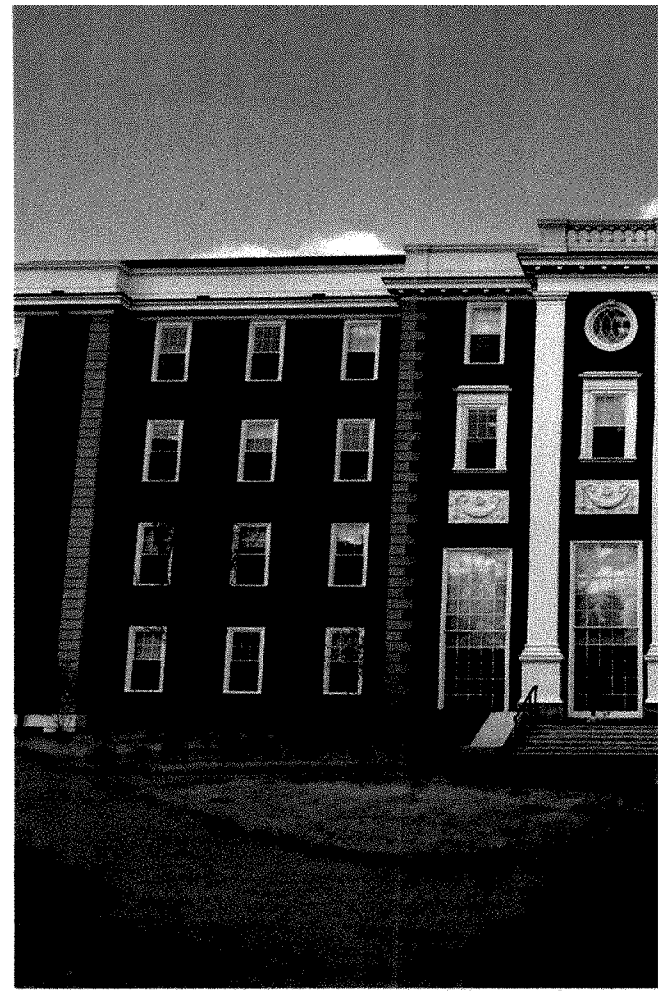


The Global TOP 10s

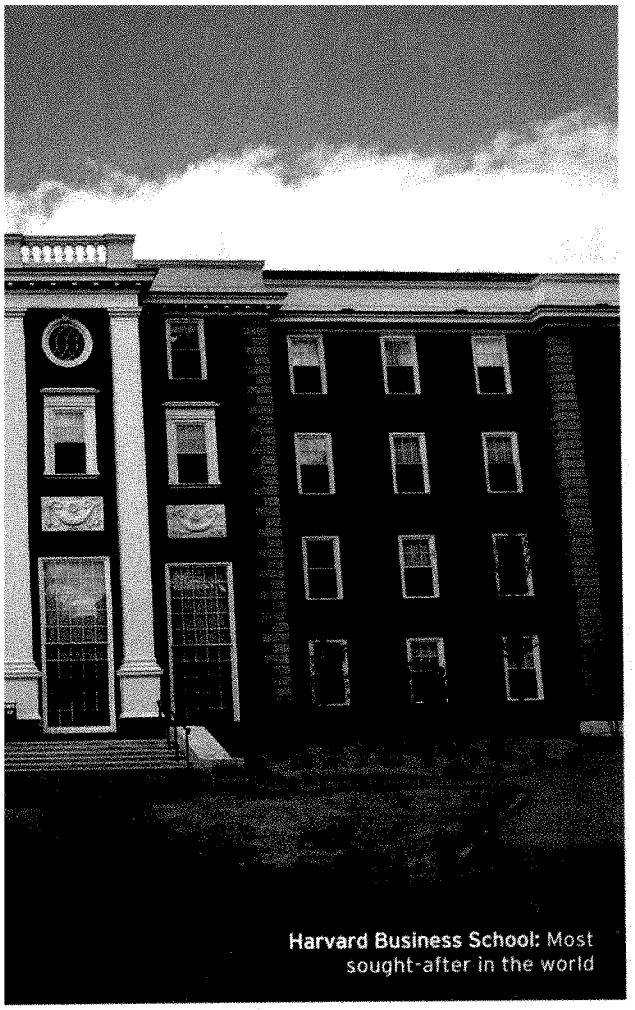
Here's how international publications ranked the top MBA programmes around the world.

Financial Times 2009

1	University of Pennsylvania/ Wharton	US
2	London Business School	UK
3	Harvard Business School	US
4	Columbia Business School	US
5	INSEAD	France
6	Stanford University/ GSB	US
7	IE Business School	Spain
8	CEIBS	China
9	Massachusetts Inst. of Tech./ Sloan	US
10	New York University/ Stern	US

EIU (Economist Intelligence Unit) 2008

1	Intl Inst. for Management Development (IMD)
2	IESE-University of Navarra
3	University of Chicago/ Booth
4	Stanford University/ GSB
5	Dartmouth College/ Tuck
6	University of California-Berkeley/ Haas
7	University of Cambridge/ Judge
8	New York University/ Stern
9	London Business School
10	IE Business School



Harvard Business School: Most sought-after in the world

The Tab for an Overseas MBA

Name	Tuition and Fees ($)*
Harvard/ US	101,660
Stanford/ GSB	97,842
University of California-Berkeley/ Haas	84,055
London Business School/ UK	78,315
INSEAD/ France	78,000
IMD/ Switzerland	70,068
Western Ontario/ Ivey	68,805
IE Business School/ Spain	65,950
Queen's/ Canada	63,896
University of Cambridge/ Judge	60,000

*For 2008 Source: *BusinessWeek*

BusinessWeek 2008

	US	International Business Schools
1	Chicago/ Booth	Queen's: Canada
2	Harvard	IE Business School: Spain
3	Northwestern/ Kellogg	INSEAD: France
4	Pennsylvania/ Wharton	Western Ontario/ Ivey: Canada
5	Michigan/ Ross	London Business School: Britain
6	Stanford	ESADE: Barcelona
7	Columbia	IMD: Switzerland
8	Duke/ Fuqua	Toronto/ Rotman: Canada
9	MIT/ Sloan	IESE: Spain
10	UC-Berkeley/ Haas	Oxford/ Said: Britain

US News & World Report 2009

1	Harvard University
2	Stanford/ GSB
3	Northwestern/ Kellogg
4	University of Pennsylvania/ Wharton
5	MIT Sloan School of Management
6	University of Chicago/ Booth
7	Univ. of California-Berkeley/ Haas
8	Dartmouth/ Tuck
9	Columbia
10	Yale

Source: Websites of respective publications

COLUMN/ BY ROBERT F. BRUNER

Picking the Right MBA Programme

This is a good time to get an MBA degree. It would be easy to say this on the basis of exploiting the economic recovery that is just getting underway. Presumably the recovery will create a demand for MBAs that in two years will buoy job prospects. But betting on the economic cycle is always risky, as MBA graduates in the Class of 2009 discovered. I think that the stronger argument is based on the long-term view: we are in the midst of the second great industrial revolution, fuelled by growth in global trade, innovation in information technology, social liberalisation in civil and political rights, and the rise of a middle class in emerging countries. So, which programme should you pick? The answer to that question would be best informed by the answers to four questions:

1. In what theatre are you ambitious to work? Local? Regional? National? Global? My advice is to pick the broadest scope possible, since the competitive trends of the past and future suggest that the traditional geographic barriers of operation are dwindling. The most consequential problems and opportunities in business will transcend borders.

2. What do you need to learn to operate on the stage to which you aspire? Certainly, there is the canon of business ideas—the core knowledge of tools and concepts. Thanks to the diaspora of PhD graduates from leading schools, the teaching of this core curriculum is by now widespread. Among the best schools, one's choice doesn't depend very much on differences in the content of the core curriculum. But schools do differ widely in the sense they make of the core tools and concepts: are these interpreted in a purely local light? Or, are they considered for application more broadly? Do the schools focus on deep theory or best practice for application of the tools? Who are the exemplars in their application—are they local firms or global leaders? Significant differences in business practice persist across regions: the world of business is not perfectly "flat" or global; rather, it is at best curved. The chief implication of this is that business students need to understand how to apply business tools and concepts across many different localities. MBA aspirants must get out of their comfort zone. Go where you encounter a diverse student body and faculty; go where you can broaden what you know; go where you will be challenged rigorously.

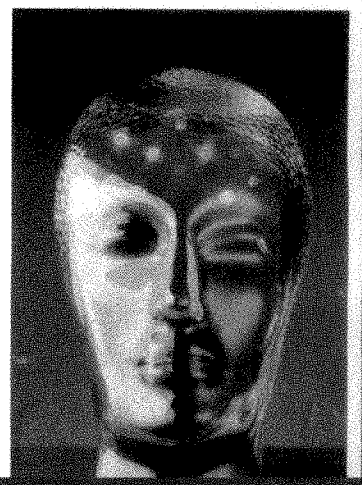
3. How do you need to learn? Part of our comfort zone consists of familiar styles of classroom teaching, typically lectures combined with problem sets and the occasional test. Unfortunately, the real world of business isn't so forgiving in the way it serves up challenges. Recognising this, a number of business schools are adopting the use of case studies, simulations, and team-based projects to better mirror the processes of discovery, analysis, and resolution that occur at the best firms. But learning by these methods isn't for everyone; you must be ready for it. Generally, my advice is to choose the approach that best fits how you need to grow. When in doubt, get out of your comfort zone.

4. How do you define "best"? With over 11,000 institutions in the world that grant degrees in business, an applicant has plenty of choice. My strong advice is not to settle for what is easy, cheap, or convenient. Reach for the best school you can attend—not just out of attraction for that glittering notion of a brand. Rather you should reach for the best schools because as the saying goes, eagles flock together: talented teachers and students tend to go to those schools where they are likely to find each other, challenge each other, grow together, and form a lifetime bond as the important basis for a personal network. You must define "best" in your terms and not just settle for the opinion of an impersonal ranking. Factors such as size, location, teaching style, diversity, culture, and special strengths of the school should figure into what's "best" for you.

My message is that MBA applicants have a lot of choice and must do their homework before making a decision. I advise young people today as follows: go anywhere in the world to study with the best and then apply your knowledge where your impact is greatest. ⊙

Robert F. Bruner is Dean of University of Virginia's Darden School of Business and is currently visiting India in an effort to advise Indian students on US MBAs

Our aim is to ignite a passion to excel



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SELECTION : Selection will be based on the performance of the candidates in CAT, GD & PI and consistent academic record. IPE uses CAT for shortlisting the candidates, IIMs have no role either in the selection process or in the conduct of the Programme.

APPLICATION : In addition to appearing at the CAT-2009. Candidates will have to obtain, fill in and submit the IPE application form to IPE by December 8, 2009. The form can be obtained from the Admissions Officer, IPE,O.U. Campus, Hyderabad - 500 007 by payment in cash of **Rs.750/-** (including registration fee) or by a crossed demand draft for **Rs.800/-** drawn in favour of **Institute of Public Enterprise,** payable at Hyderabad to obtain by post.

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Starting Date of Sale of CAT Vouchers	**: 09-09-2009**
Closing Date of Sale of CAT Vouchers	**: 01-10-2009**
Starting Date of Sale of IPE Applications	**: 01-10-2009**
Last Date for issue of IPE Applications	**: 04-12-2009**
Last Date for submission of IPE Applications	**: 08-12-2009**

IPE INTERVIEW CENTRES : Delhi, Patna, Lucknow, Kolkata, Bhubaneshwar, Trivandrum, Chennai, Pune, Bangalore, Coimbatore, Vijayawada, & Hyderabad. *The interview centres could also be subject to change or cancellation.*

The application forms can be obtained from TIME & IMS Centres and also can be downloaded from Institutie's Website : www.ipeindia.org

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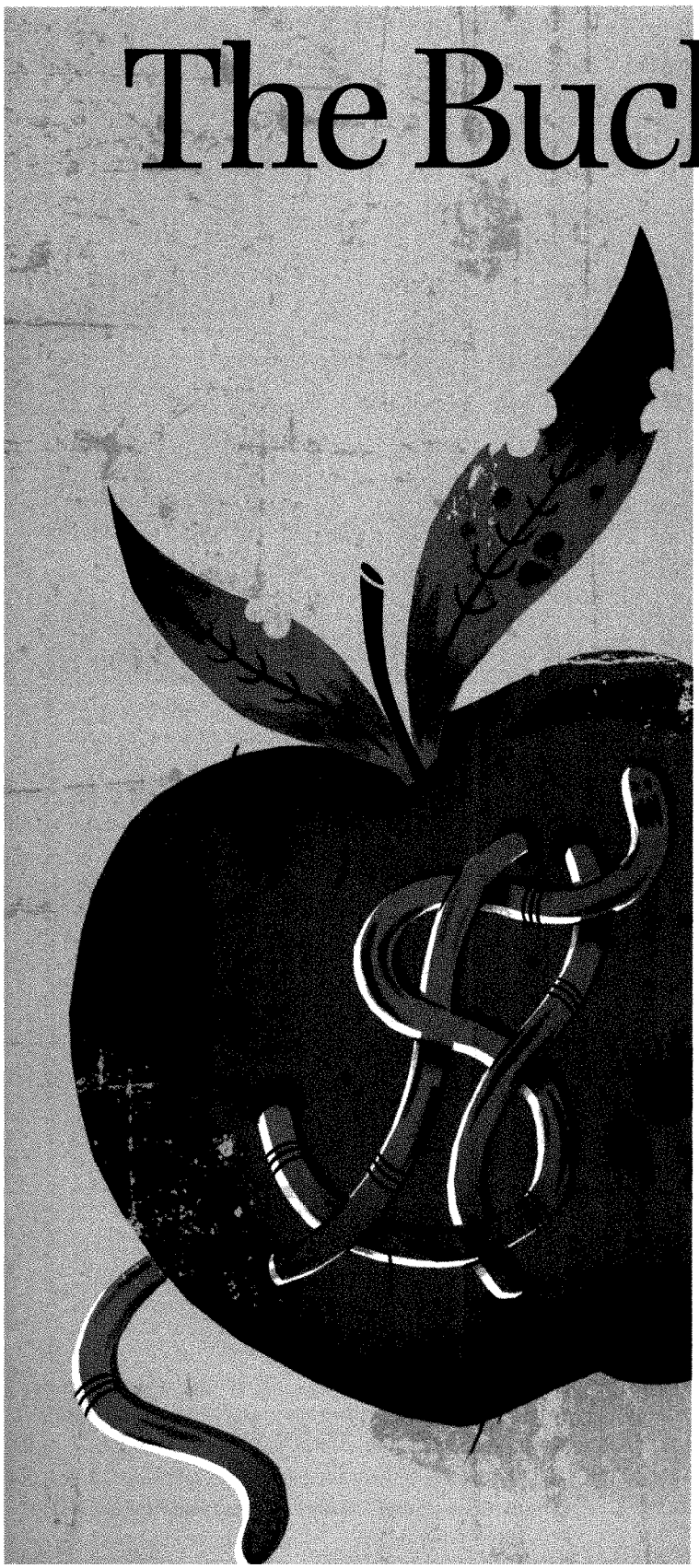


JESSE LEFKOWITZ

The Buck Stops (and Starts) at Business School

Unless America's business schools make radical changes, society will become convinced that MBAs work to serve only their own selfish interests.

JOEL M. PODOLNY

I know you're angry. I'm angry!" declared Harvey Milk, the American politician and gay rights activist, during a 1977 protest against the repeal of an antidiscrimination law. Today, we find ourselves in an economic quagmire where people around the world feel that same kind of intense rage—this time, against big business. Society has lost confidence in many economic institutions—investment banks, credit-rating agencies, and central banks, for instance—and prominent among them is one to which I devoted most of my professional life: business schools.

The resentment against the MBA is visible everywhere. *The New York Times* printed several letters on March 3, 2009, reacting to a news story about the pressure these trying economic times have exerted on the teaching of the humanities. The letter writers alluded to the fact that by studying the arts, cultural history, literature, philosophy, and religion, people develop their powers of critical thinking and moral rea-

soning. Business schools don't develop those skills, they argued, which is why MBAs made the shortsighted and self-serving decisions that resulted in the current financial crisis.

Two days earlier, a former student of mine, Philip Delves Broughton, authored an opinion piece in the *Times* of London. I recall Philip as one of the better students I taught at Harvard Business School, and it is evident from the article that Philip remembers me. He wrote that I "trumpeted" organisation design work I had done in 2000 with the now-troubled Royal Bank of Scotland and that other HBS professors had written case studies on the bank's mergers and acquisitions, customer service, and employee retention strategies. "Every trendy business school idea was being implemented, it seemed, while what really mattered—the bank's risk assessment, cash flow, and capital structure—was going to hell," he pointed out. Philip saved his sharpest criticism for what he perceived as Harvard Business School's indifference to the role that some of its graduates have played in recent business scandals.

I would quibble with a few of the details in Philip's account and, having worked for several years at HBS, disagree with his assessment that the school suffers from complete apathy. Five years ago, HBS introduced a compulsory course on leadership and corporate accountability as a response to the collapse of Enron. In addition, some members of the faculty have taken the current crisis as proof that they haven't done enough to equip students to make good judgments, and they're thinking about introducing more changes to the school's curriculum and teaching methods.

At the same time, I share Philip's frustration. The degree of contrition not just at business schools but also among executives and companies seems small compared with the magnitude of the offense. To reprise the line: I know you're angry. I'm angry, too.

I'm angry about the inattention to ethics and values-based leadership in business schools. We didn't need the current meltdown to tell us that; the Enron and WorldCom scandals proved it more than seven years ago.

I'm angry about the disciplinary silos in which business schools teach management. I obviously didn't realise that balkanisation had affected my understanding of the Royal Bank of Scotland, but many years ago, I did become aware that carving up management challenges by function would leave academics without a holistic appreciation of the challenges MBAs face.

I'm angry that many academics aren't curious about what really goes on inside companies. They prefer to develop theoretical models that obscure rather than clarify the way organisations work. Many also believe that a theory's relevance is enough to justify teaching it. That's a low bar; almost no theory is entirely irrelevant to business, but only a few are truly important.

These concerns prompted me to take the position of dean of the Yale School of Management in 2005, where I could tackle the problems I had observed. The changes that my colleagues and I implemented at Yale over the next four years are widely regarded as an improvement on the traditional curriculum. However, I quickly realised that the failings of today's MBA education can't be solved by changes at one, or even a few, business schools.

Fact is, so deep and widespread are the problems afflicting management education that people have come to believe that business schools are harmful to society, fostering self-interested, unethical, and even illegal behaviour by their graduates. How did we get into a situation in which MBAs are part of the problem rather than the solution?

What They Don't Teach You at Business School

Fifty years ago, the Ford Foundation and the Carnegie Foundation each commissioned a study of US business education. Both concluded that the quality of scholarship was terrible and suggested that business schools hire people trained in traditional academic disciplines that emphasise quantitative methods like economics, statistics, and operations research. The shadows of those reports, whose recommendations were largely adopted, linger to this day. Faculty members who rely on quantitative methods and mathematical models vastly outnumber those who emphasise qualitative techniques and inductive approaches. The emphasis on quantitative approaches created greater rigour in business schools, but the study of management challenges became fragmented, as academics in those disciplines carved up managerial problems to fit their areas of expertise. This has led to two unintended consequences.

First, business schools have largely ignored the teaching of values and ethics because those aren't subjects of inquiry for traditional business school academic disciplines. The consequences have been disastrous. For instance, when HBS professor Scott Snook recently surveyed MBA students, he found that a third regarded right and wrong as defined by the norm. That is, if several people were following a course of action, the students felt it was OK for them to do the same. Even when business schools teach ethics courses, as some of them started doing in the wake of the Enron fiasco, they do so in a vacuum. Teaching one ethics course doesn't ensure that a marketing professor will, for instance, discuss privacy-related issues while describing the Net's use as a marketing medium. On the contrary, because of a lack of interest, perhaps, or a fear of leading a discussion in an area outside their expertise, faculty members often stay away from teaching the normative aspects of business.

Second, those leadership and ethics courses that are taught are flawed, as the recent collapse of Wall Street firms suggests. Many faculty members and students believe

that such courses are soft, in the sense that they don't require detailed analysis of data as other courses do. What's more, the business schools seem to have convinced MBAs that once they rise to positions of prominence, they're responsible only for setting the vision, fashioning a strategy, and developing an agenda. Their subordinates will sweat the details. Leaders don't need to worry unless the numbers come in worse than expected and change is required. They also feel they don't have to consider what it might imply if the results are better than imaginable: Leadership, MBAs have been led to believe, doesn't entail investigating whether there might be huge risks attached to those high returns.

Does the case method, with its emphasis on context, help overcome these problems? I have written and taught cases for years, but my answer is no. Cases can be a source of inter-disciplinary integration, and a way to focus on the various dimensions of leadership, but they rarely are. Faculty members from the same discipline usually write a case, which ends up being function specific. In addition, when students must read a dozen cases a week, they tend to assume that each one deals with an entirely separate issue. The case method doesn't enable students to learn that being consistent in various situations and continually paying the right amount of attention to detail are among the most challenging aspects of leadership.

What's Wrong with Rankings

It's no secret that rankings drive the competition for business school students. That's not a bad thing per se; market pressure should force deans to keep improving curricula and teaching methods. The trouble is, deans who experiment with new courses can influence rankings only in the long run. Curricular changes are difficult beasts; they require the cooperation of every faculty member and take time to show results. In fact, such changes often incur students' ire until professors iron out the wrinkles.

Many deans, therefore, focus on influencing measures that can move their schools up the charts quickly. For instance, seasoned MBAs command higher starting salaries, so if a business school admits students with more experience to begin with, its ranking will automatically rise. Not coincidentally, the average age of students entering business school increased throughout the 1990s, as the schools chased candidates with more work experience.

Rankings also rise if more students from a business school go into higher-paying industries. This has created an incentive to gear curricula towards students who want to work in sectors like consulting and financial services.

Finally, instead of investing money in training faculty, deans can bring in consultants to help students perform better in interviews, which often boosts the number of offers each receives and thus improves rankings.

On the surface, there's nothing wrong with admitting students with more experience or helping graduates get higher starting salaries. However, when business schools invest in improving only those short-term performance drivers, they invariably use rankings and starting salaries as central elements of their marketing. In the process, they lend credibility to those measures and endow them with too much significance. They also lend legitimacy to students' claims that a school's primary goal is to get them a high-paying job. I have no objection to anyone's pursuing a career with a large salary, but I do object to the manner in which rankings have legitimised most business schools' myopic focus on the short term.

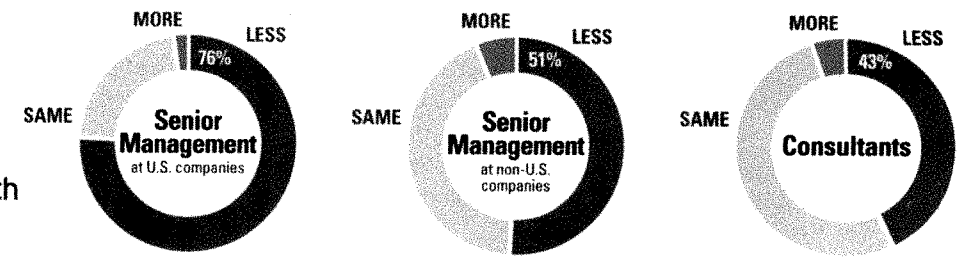
What's worse, the rankings have undermined the focus on professionalisation. An occupation earns the right to be a profession only when some ideals, such as being an impartial counsel, doing no harm, or serving the greater good, are infused into the conduct of people in that occupation. In like vein, a school becomes a professional school only when it infuses those ideals into its graduates.

In order to reduce people's distrust, business schools need to show that they value what society values.

How Trust Has Eroded

Since last year, do you have more or less trust in...

HBR SURVEYED readers to gauge their level of trust in business relationships and found a tremendous loss of faith in top executives.



Responses of Academic Institutions, Suppliers, Customers and Colleagues on pg 118

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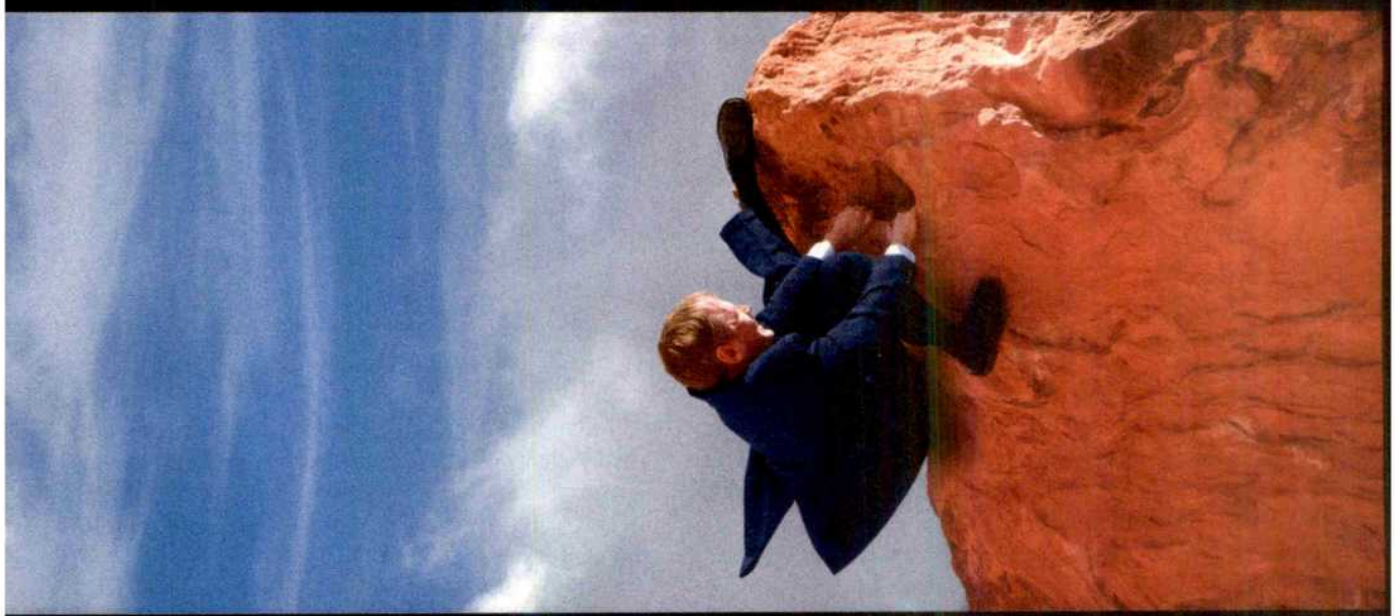

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A business school does that effectively when it forces its students to ask, "How do I want to change the world for the better?" and provides them with the skills, tools, and values to bring that about in a responsible manner. The school should also make students realise that the task isn't easy and will require learning, sacrifice, and determination. If MBAs can also earn large sums of money in the process, that's cause for additional celebration.

However, the way business schools today compete leads students to ask, "What can I do to make the most money?" and the manner in which faculty members teach

social scientists such as Sim B. Sitkin and Nancy L. Roth argue that there's an important difference. A lack of trust results when your expectations about how a person should behave aren't met. As Sitkin and Roth point out, laws and regulations help address those situations by acting as effective deterrents. In contrast, distrust arises when you believe that another person's value system is different from your own. In those situations, legal remedies, which are impersonal and binding, only exacerbate the problem.

In order to reduce people's distrust, business schools need to show that they value what society values. They need to

> The way business schools today compete leads students to ask, "What can I do to make the most money?"

allows students to regard the moral consequences of their actions as mere afterthoughts. Business schools are then no more than trade schools. There's nothing wrong with trade schools. But, since MBAs occupy positions with enormous responsibility that have a huge impact on society, their ability to do harm is very great—greater than the damage that people trained by trade schools can cause. That's why society should be concerned if business schools teach in a way that leaves MBAs believing they can do their jobs without caring about the ethical bases of decisions or can lead without paying attention to details.

Society grants professionals a lot of discretion for self-governance, but it imposes regulations and controls if it doesn't think they're living up to their responsibilities and obligations. For example, in the 1970s, as parents in the United States came to view unions as more interested in promoting teachers' interests than in improving education, government stepped in with regulations that limited teachers' discretion. Although micromanagement of business by the U.S. government seems inevitable today, it may not be beneficial in the current situation.

How B-Schools Must Deal with Distrust

People don't simply lack trust in business schools; they actively distrust them. We tend to equate the two, but

teach that principles, ethics, and attention to detail are essential components of leadership, and they need to place a greater emphasis on leadership's responsibilities—not just its rewards. There are no easy fixes, but let me suggest a handful of starting points.

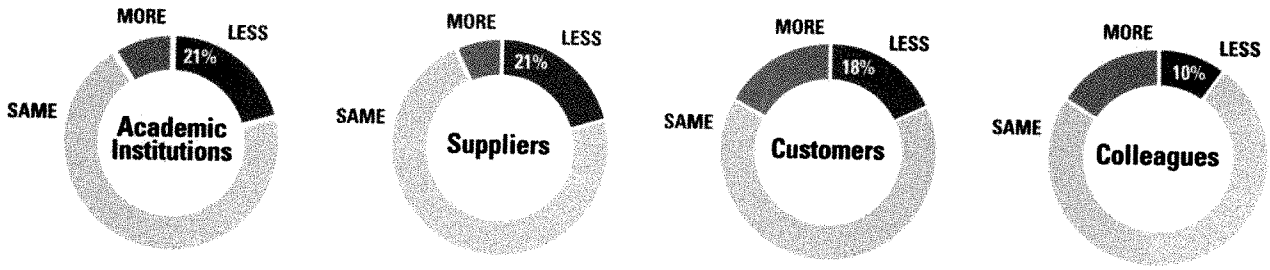
Foster greater integration. Business schools need to redefine what they teach and how they teach it. Thankfully, a number of schools, such as Ivey, Rotman, Stanford GSB, and, of course, Yale SOM, have taken the first steps by moving away from teaching in functional silos and emphasising the integration of several disciplines.

However, my sense is that these business schools do a better job of mixing academic disciplines than of linking analytics with values. Moreover, the teaching of leadership is still about the big picture—not about the details, where such key challenges as the ability to stick to values and make ethical decisions come into play. HBS's course on leadership and accountability does integrate numbers-based reasoning with ethical issues to a degree, but to change students' mind-sets, business schools must infuse that emphasis into more than a single course.

Appoint teaching teams. Much is made of the fact that business school faculty are academics rather than experienced managers. After working at several leading business schools, I believe the concern is misplaced. In academia, as

...How Trust Has Eroded.

Harvard Business Review Advisory Council survey, January 2009: 40% of the 1,024 respondents were U.S.-based; 60% were non-U.S.-based.



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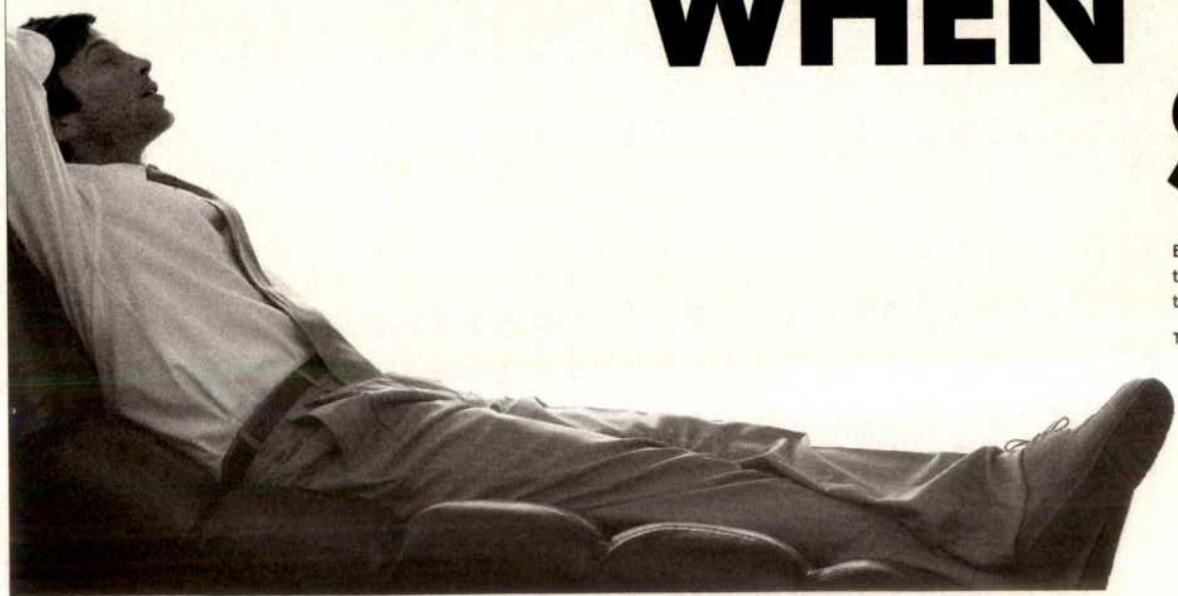

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in corporations, technical expertise matters. However, in a company, a technical expert can contribute to the success of a product or service only if he or she works with other experts to create and deliver it. The same holds true for business schools. Team teaching—where faculty from both "hard" and "soft" disciplines develop material and present it in the same classroom—needs to become the rule. That will give students a more holistic understanding of business problems and their solutions. Sure, this is costly because it is faculty intensive, but it is a critical element in eliminating the dichotomy between the classroom and the real world.

Encourage qualitative research. Academics capable of teaching soft skills such as leadership, values, and ethics are in a distinct minority at most business schools. Without more faculty members in those areas, schools can't weave such disciplines effectively into the fabric of MBA education. However, these experts often conduct research in ways that are different from those that faculty in quantitative disciplines use, and they publish papers in different kinds of journals. Building such faculty will, therefore, require a more eclectic taste for research than currently exists in most schools.

Stop competing on rankings. Business schools won't regain their professional focus as long as they implicitly endorse rankings fostering the belief that their raison d'être is to enable their students to earn more money. The Association to Advance Collegiate Schools of Business (AACSB) could help delegitimise such rankings by prescribing, and auditing, how the schools use the data in their communications. For instance, it could forbid business schools from touting in their advertising how much their degrees will augment graduates' incomes. The AACSB could also insist on compliance as a criterion for accreditation. The rankings would still be available to potential applicants through the media, but the official guidelines could force business schools to articulate their goals in ways that don't boil down to a single number. That would change would-be students' expectations of the MBA degree.

Critics will say that imposing constraints on advertising isn't consistent with a free market. It isn't—but then, one of the hallmarks of a profession is that it voluntarily accepts constraints. Lawyers, doctors, and accountants, as well as the schools that train them, abide by several restrictions—particularly on how they can advertise their services—because they are members of professions. In the same way, business schools must be prepared to abide by norms that govern how they compete for students if they want society to continue regarding them as professional schools.

Withdraw degrees for violating codes of conduct. Some experts have recently argued in the pages of this magazine that business schools need to develop the equivalent of a Hippocratic oath, as well as a code of conduct for MBAs. In fact, Thunderbird School of Global Management already administers an oath when its students graduate. It may be a step in the right direction, but oaths and codes of conduct work only when a professional body monitors behaviour and withdraws credentials for violations. For instance, bar councils and medical review panels enforce standards that are higher than the legal standard.

Managers can learn from doctors and lawyers. Before those professions had strong national associations, they created governing groups, usually connected to universities, which certified individuals as worthy of practice. In the same way, a business school, its faculty, and its graduates can constitute a governing group. This group can set up a committee that draws up a code of conduct and monitors MBAs' adherence to it. The committee could, for instance, revoke the degrees of graduates who break the code. The ex-MBAs might still be able to manage businesses, but they wouldn't be allowed to list the degree on their résumés, remain members of the school community, or be invited to reunions. They would, hopefully, be shunned by those who do adhere to the school's code of conduct. Most important, the governing groups would provide business schools with a mechanism by which they could communicate to the public their disapproval of MBAs who break their code and so demonstrate that the schools' values do accord with those of society.⊙

WHAT MUST BUSINESS SCHOOLS DO TO REGAIN TRUST?

FOSTER GREATER INTEGRATION
Courses must reflect a mix of academic disciplines and link analytics to values.

APPOINT TEACHING TEAMS
Faculty from both "hard" and "soft" disciplines must discuss material in the same classroom.

ENCOURAGE QUALITATIVE RESEARCH
B-schools need to cultivate a more eclectic approach to research.

STOP COMPETING ON RANKINGS
Schools should stop pandering to rankings. They need to communicate that money is not the only reason to get an MBA.

WITHDRAW DEGREES FOR VIOLATING CODES OF CONDUCT
To be a true profession, schools must not just establish but also enforce a code of conduct, as doctors and lawyers do.

Joel M. Podolny *(jpodolny@apple.com) is the dean and vice president of Apple University in Cupertino, California. The former dean of the Yale School of Management, Podolny was a professor at Harvard Business School and the Stanford Graduate School of Business.* *This article was published in* Harvard Business Review, *June 2009.* *Copyright @ 2009 Harvard Business School Publishing Corporation. All rights reserved.*

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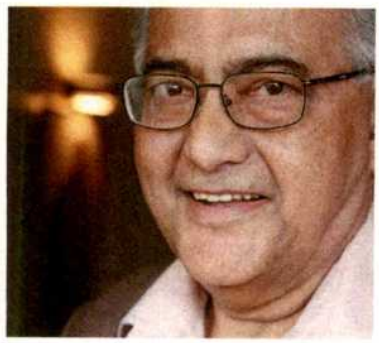
The Problem with Management Education in India



Management is a much sought-after field for Indians. Today, the best and brightest students want to study management because it is a sure way to well-paid jobs with great prospects for advancement. In 2008-09, there were over 102,000 students studying for a Masters of Business Administration or its equivalent. But are management schools up to the challenge of providing able recruits to companies that need them the most?

The short answer is no. Many of the 2,000 or so management schools recognised by the All India Council for Technical Education (AICTE) have minimal faculty, most of whom have little practical experience in management and who undertake little research of decent quality. Also, a scant 250-300 management schools allow themselves to be rated—something that would make for easy assessment. Management schools should be at the apex of management education, for older students with work experience, but that isn't so today. Moreover, instead of focussing just on B-schools, it is vital to improve other education streams like commerce education, and management orientation in professional courses like accounting and secretarial studies. These constitute the base for the thousands of managers in Indian enterprises who need grounding to make an early and positive contribution as managers.

However, the most serious problem with management today concerns the placement of B-school graduates. In 2007, there were 12,500 or so unlisted companies in India—including public sector firms, banks, financial enterprises and service companies. The top 75 of these compare with the best of the listed companies. Most of the others, however, show poor performance in sales growth, profit ratios and consistency in overall performance—but that is where management graduates should be found playing a positive role. Having been associated with over 35 companies over the decades, I have noticed that most holders of MBA degrees are targeting—and are targeted by—consultancy firms, multinationals and finance outfits. The huge requirement of the rest of industry, including infrastructure services, real estate, small scale units, NBFCs and educational organisations, amongst others, are largely met by graduates and post graduates in commerce, economics and engineering.

The small number of management graduates in relation to the total need produces another problem: it makes many of them feel superior and arrogant. They complete MBAs in their early 20s and often get multiple job offers. Monthly remunerations can get as high as Rs 5 lakh a month. These schools are evaluated by the media, employers and students based on how quickly students get placed and how big their pay packets are. Thus, greed is inculcated at an age when idealism should be.

Sumantra Ghoshal identified this, saying: "We as business school faculty—need to own up (that)... it is our theories and ideas that have done much to strengthen the management practices we are all so loudly condemning." Recent excesses in the US and elsewhere, especially in the financial sector, involved many MBAs and had roots in ideas developed in business schools. If managers seek ever-more inventive ways of boosting share prices, paying themselves over the odds for doing so and offloading the costs on to society, they are just doing what B-school courses on strategy, transaction cost economics and agency theory have taught them—which is to maximise the value of a company, product and themselves. Management education must focus on society and social good, not merely on building corporate bottom lines at any cost. ⊙

Schools are evaluated based on how quickly students get placed and how big their pay packets are. Thus, greed is inculcated at an age when idealism should be.

S.L. Rao is author of From Servants to Masters: The Evolution of Professional Management in India

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A primer on the new avatar of one of India's toughest exams.

Q. Will CAT be conducted on a website?

No. CAT is going to be a computer-based test and not an Internet-based test, i.e., the candidate does not take the test on any website. Instead of reading the questions in a booklet and darkening the ovals on the answersheet, the candidate will read the questions on a computer and choose an answer by clicking on the correct option. The candidate will still need to go to one of the 105 designated test venues in 32 cities across India to take the exam.

Q. Will the test be held in one go?

No. The exam will be spread over 10 days—from Saturday, November 28, 2009, to Monday, December 7, 2009. There will be two sessions each day. Session 1 will begin at 10 a.m. and end at 12:30 p.m. while Session 2 will begin at 3:30 p.m. and end at 6 p.m. Candidates can opt for any one of the sessions. There will be 20 sets of question papers instead of one earlier.

Q. Will the exam day make any difference?

No. The difficulty level of the exam will be the same across all days. Initial registration data shows a clamour for weekends—that could simply be due to working executives opting for those days.

Q. Will the pattern of exam change?

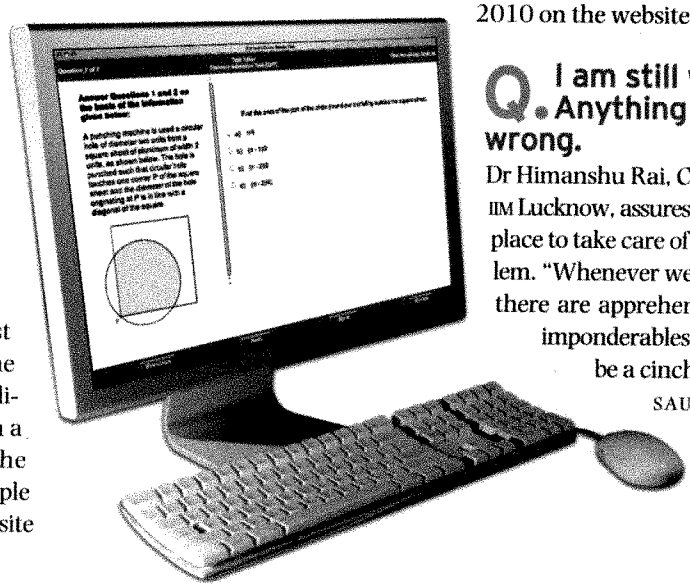
No. The format of the test will remain more or less the same except that the candidate will read a question on a computer and click on the correct answer. A CAT sample test is available on the website *www.catiim.in* for candidates to get a feel of the new method. The computer-based test is an improvement on the answersheet in that it allows you to mark questions you are unsure about so that you can selectively review them later. Only one question will appear on your screen at a time and there will be separate buttons that will take you to the Previous or Next question and allow you to Mark or Review a question.

Q. What if the computer develops any glitches?

There is a remote chance of that happening, according to Convenor of CAT Exams Prof. Satish Deodhar. However, there are provisions for PC terminal hiccups. The clock on the terminal of each candidate will be tracked. The moment a glitch happens, the clock will stop. The proctor at the examination centre will assess the situation. Once the malfunction is sorted out, the candidate will be able to start from where he stopped.

Q. How will I be assessed? What about results?

Irrespective of slots, scores will be taken together and there will be one result. Don't expect any instant results either. While the exam is spread across 20 sessions, the results for CAT 2009 will be declared on January 22, 2010 on the website *www.catiim.in*.

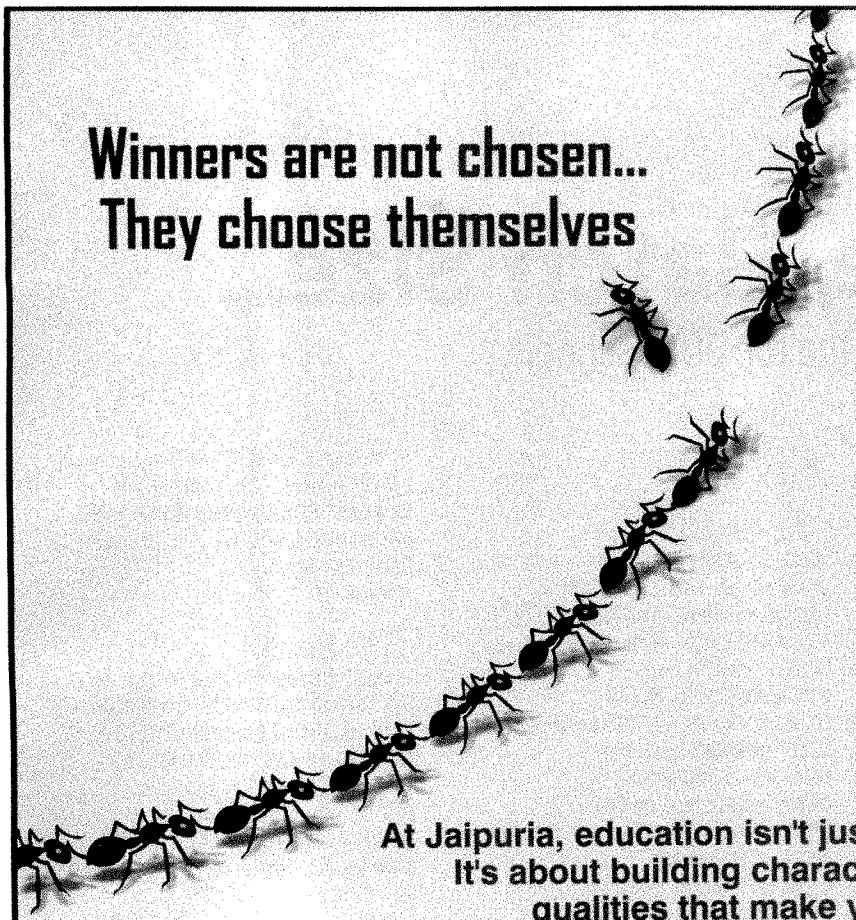


Q. I am still worried. Anything could go wrong.

Dr Himanshu Rai, Chairman (Admissions), IIM Lucknow, assures there is a mechanism in place to take care of every foreseeable problem. "Whenever we begin something new, there are apprehensions. There could be imponderables, but we think it should be a cinch for the candidates."

SAUMYA BHATTACHARYA

Winners are not chosen... They choose themselves



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WEBSITE: www.amity.edu/abs
TUITION AND FEE:
Rs 1,93,000 per semester
ROOM & BOARD: Rs 28,000 Non-A/C Hostel fee per semester, Rs 55,000 A/C hostel per semester, Rs 75 a day for all the three meals in cafeteria
SIZE OF INCOMING CLASS: 417
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME: 719+417= 1,136
ENTRANCE TEST REQUIRED: MAT
APPLICATION DEADLINE: May-end
APPLICATION FEE: Rs 1,100

B

BIMTECH

ADDRESS: Birla Institute of Management Technology, Plot No. 5 Knowledge Park 2, Greater Noida (NCR) Uttar Pradesh-201306, India
CONTACT PERSON: Chanchal Kushwaha
ADMISSIONS PHONE: 0120-2323001-10
ADMISSIONS E-MAIL: admissionqueries@bimtech.ac.in
WEBSITE: www.bimtech.ac.in
TUITION AND FEE: Rs 7,00,000
ROOM & BOARD: Rs 1,10,400
SIZE OF INCOMING CLASS: 180
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 80+120=300
ENTRANCE TEST REQUIRED: CAT
APPLICATION DEADLINE: December 31, 2009
APPLICATION FEE: Rs 1,700 cash; Rs 1,750 through DD

F

FMS, Delhi

ADDRESS: Faculty of Management Studies, University of Delhi, Delhi-110007
ADMISSIONS PHONE: 011-27666382/7877
ADMISSIONS E-MAIL: admissions@fms.edu
WEBSITE: www.fms.edu
TUITION AND FEE: Rs 19,240
ROOM & BOARD: Rs 60,000 for two years
SIZE OF INCOMING CLASS: 144
ENTRANCE TEST REQUIRED:
Own entrance test, no CAT
APPLICATION DEADLINE: Forms in October, test held in January
APPLICATION FEE: Rs 1,000 for General Candidates; Rs 250 for SC/ST

FSM, Delhi

ADDRESS: B-18, Qutab Institutional Area New Delhi–110016
ADMISSIONS PHONE: 011-26569996
ADMISSIONS E-MAIL: mehta@fsm.ac.in
WEBSITE: www.fsm.ac.in
TUITION AND FEE:
Rs 7,75,000 General Candidate
ENTRANCE TEST REQUIRED: CAT
APPLICATION DEADLINE: November 20, 2009
APPLICATION FEE: Rs 1,600 Cash; Rs 1,650 for DD

I

ICFAI, Hyderabad

ADDRESS: Dontanapali Village, Shanker Palli Mandal, R.R. Dist.-501203, Andhra Pradesh
ADMISSIONS PHONE: 040-23385000
ADMISSIONS E-MAIL: info@ibsat.org
WEBSITE: www.ibshyderabad.org
ANNUAL TUITION AND FEE: Rs 4,75,000 per annum (2010-2012 batch)
ROOM & BOARD: Rs 35,000 per annum for accommodation and food expenses on actual basis
SIZE OF INCOMING CLASS: 883
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 1,724
ENTRANCE TESTS REQUIRED: IBSAT/ GMAT
APPLICATION DEADLINE: December 12, 2009
APPLICATION FEE: Rs 1,100

ICFAI, Mumbai

ADDRESS: Hiranandani Knowledge Park, Off. Technology Street, Hiranandani Gardens, Powai, Mumbai-400076
ADMISSIONS PHONE: 022-40434343
ADMISSIONS E-MAIL: info@ibsat.org
WEBSITE: www.ibsindia.org
ANNUAL TUITION AND FEE: Rs 4,25,000
ROOM & BOARD: Hostel facility not provided
SIZE OF INCOMING CLASS: 356
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 725
Class of 2010 (2008-2010) & Class of 2011 (2009-2011)
ENTRANCE TEST REQUIRED: IBSAT
APPLICATION DEADLINE: December 12, 2009
APPLICATION FEE: Rs 1,100

IIFT, Delhi*

ADDRESS: IIFT Bhavan B-21, Qutab Institutional Area, New Delhi–110016
CONTACT PERSON: Gaurav Sethi
ADMISSIONS PHONE: 011-26965051/5124
ADMISSIONS E-MAIL: admission@iift.ac.in
WEBSITE: www.iift.edu
ANNUAL TUITION AND FEE:
Rs 3,50,000 for Indian students, $18,500 for foreign students and Rs 1,75,000 for SC/ST/PH students
ENTRANCE TEST REQUIRED: Written test, GD, interview & essay writing, (GMAT) for Foreign Nation/NRI/children of NRIs
APPLICATION DEADLINE: September 3, 2009
APPLICATION FEE: Rs 1,500

IIM Ahmedabad

ADDRESS: Indian Institute of Management Ahmedabad, Vastrapur, Ahmedabad-380015
CONTACT PERSON: Ishita Solanki
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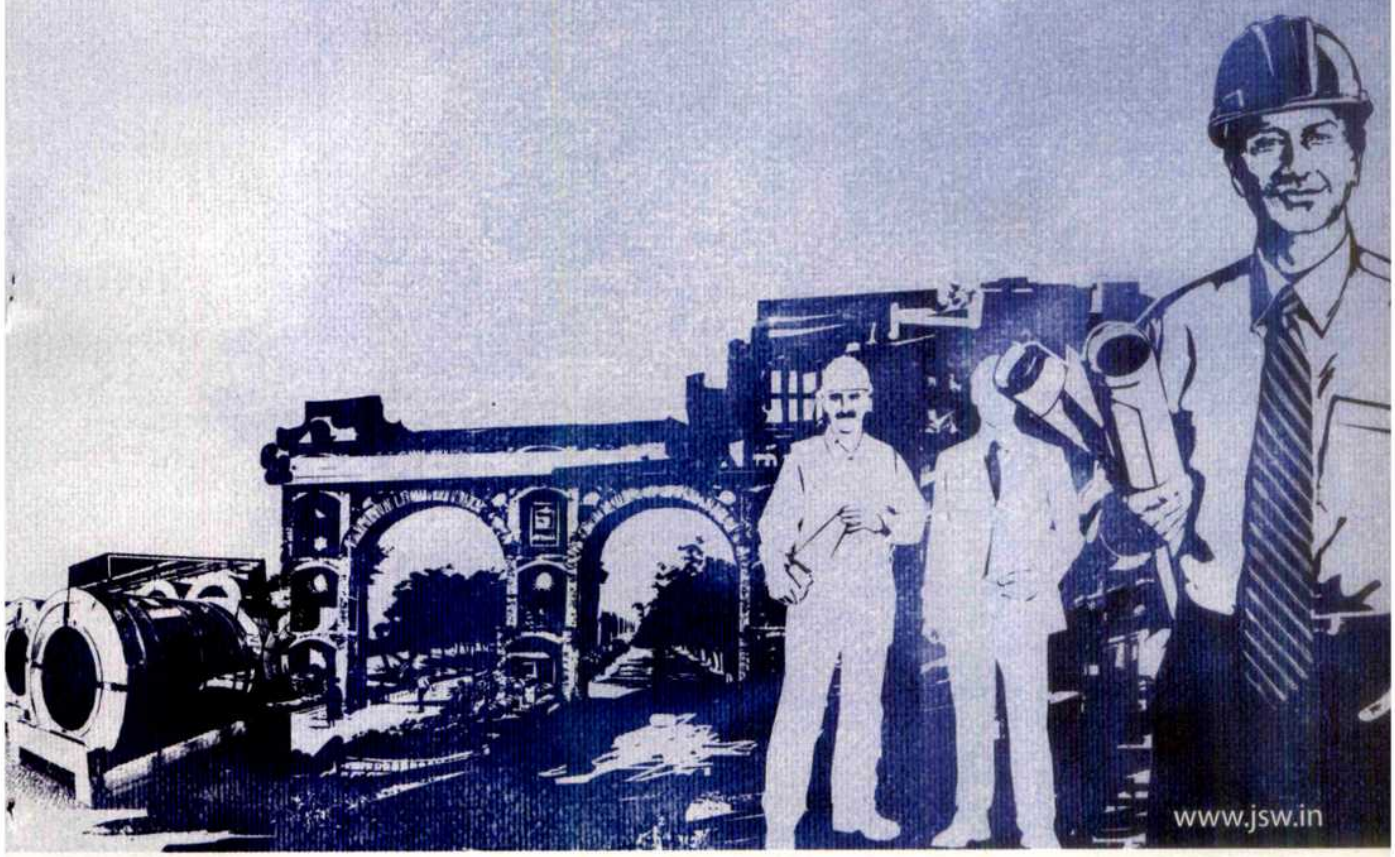

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WEBSITE: www.iimahd.ernet.in
ANNUAL TUITION AND FEE: (2009-11) Batch- PGP-1 Rs 4,84,000 & PGP-2 Rs 5,00,000
ROOM & BOARD: Annual Hostel Charges (2009-11 Batch)
PGP-1- Rs 24,500
PGP-2-Rs 24,500
SIZE OF INCOMING CLASS: 310 (Students enrolled in PGP 2009-11 Batch)
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 310 (Students enrolled in PGP-1 2009-11 Batch) & 290 (Students enrolled in PGP-2 2008-10- Batch)=Total 600 PGP students enrolled in 2009-10
ENTRANCE TESTS REQUIRED: CAT
APPLICATION DEADLINE: October 1, 2009
APPLICATION FEE: Rs 1,400 for General Candidates, Rs 700 for SC/ST Candidates & $100 for Overseas Candidates

IIM Bangalore

ADDRESS: Indian Institute of Management Bannerghatta Road, Bangalore-560076
CONTACT PERSON:
Prof. Amarnath Krishanaswamy
ADMISSIONS PHONE: 080-26993188/3013
ADMISSIONS E-MAIL: pgpadm@iimb.ernet.in
WEBSITE: www.iimb.ernet.in
TUITION AND FEE: Rs 11 lakh (both years, includes room charges)
SIZE OF INCOMING CLASS: 350
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 621
ENTRANCE TESTS REQUIRED: CAT for Domestic, GMAT for Overseas Candidates
APPLICATION DEADLINE: October 1, 2009
APPLICATION FEE: Rs 1,400

IIM Calcutta

ADDRESS: Indian Institute of Management, Diamond Harbour Road, Joka, Kolkata-700104
ADMISSIONS PHONE: 033-24678300 ext 148
ADMISSIONS E-MAIL:
pgpadmissions@iimcal.ac.in
WEBSITE: www.iimcal.ac.in
TUITION AND FEE: Rs 9,00,000 (2009-11)
SIZE OF INCOMING CLASS: 408
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 308+408=716
ENTRANCE TEST REQUIRED:
CAT followed by GDPI
APPLICATION DEADLINE: October 1, 2009

IIM CALCUTTA HAD THE LARGEST SIZE OF incoming class for 2009-11 among all the IIMs.

APPLICATION FEE: Rs 1,400 for General Candidates, Rs 700 for SC/ST Candidates

IIM Indore

ADDRESS: Indian Institute of Management, Prabandh Shikhar, Rau-Pithampur Road, Indore-453331, Madhya Pradesh
ADMISSIONS PHONE: 0731-4228685
ADMISSIONS E-MAIL:
pgpadmission@iimidr.ac.in
WEBSITE: www.iimidr.ac.in
ANNUAL TUITION AND FEE:
Rs 3,58,000
ROOM & BOARD:
Hostel charges Rs 42,000
SIZE OF INCOMING CLASS: 240
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 476
(240- PGP 1; 236- PGP 2)
ENTRANCE TESTS REQUIRED: CAT/ GMAT
APPLICATION DEADLINE: October 1, 2009
APPLICATION FEE: Rs 1,400 for General Candidates, Rs 700 (SC/ST)

IIM Kozhikode

ADDRESS: Indian Institute of Management, IIMK Campus (PO), Kozhikode 673570
ADMISSIONS PHONE: 0495-2803001, 2809300
ADMISSIONS E-MAIL: admissions@iimk.ac.in
WEBSITE: www.iimk.ac.in
ANNUAL TUITION AND FEE: PGP-1 for academic year 2009-10: Rs 4,00,000
ROOM & BOARD: Hostel fee of Rs 40,000 included in the fee. Boarding expenses to be borne by the students.
SIZE OF INCOMING CLASS: 300
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): PGP-1 (2009-11) batch : 310, PGP-2 (2008-10) batch: 261
ENTRANCE TEST REQUIRED: CAT
APPLICATION DEADLINE: October 1, 2009
APPLICATION FEE: Rs 1,400

IIM Lucknow

ADDRESS: Indian Institute of Management, Prabandh Nagar, Off Sitapur Road Lucknow-226013, U.P.
CONTACT PERSON: Prof. Manoj Anand
ADMISSIONS PHONE: 0522-2736681/ 2734028
ADMISSIONS E-MAIL:
admission@iiml.ac.in
WEBSITE: www.iiml.ac.in
ANNUAL TUITION AND FEE:
PGP-1 Rs 4,08,500 per annum, PGP-2 Rs 4,18,500 per annum
ROOM & BOARD: Single occupancy, furnished rooms
SIZE OF INCOMING CLASS: 345 (2009-11)
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 307+345= 652
ENTRANCE TEST REQUIRED: CAT
APPLICATION DEADLINE: October 1, 2009
APPLICATION FEE: Rs 1,300 for General Candidates, Rs 650 (SC/ST)

IIPM, Delhi*

ADDRESS: IIPM Corporate Office, IIPM D-11, Level-2 Southern Park, Saket
ADMISSIONS PHONE: 011-41799993/94
ADMISSIONS E-MAIL: admissions@iipm.edu
WEBSITE: www.iipm.edu
TUITION AND FEE: Rs 9,51,000
ROOM & BOARD: Rs 57,000
SIZE OF INCOMING CLASS: 100
ENTRANCE TEST REQUIRED: E-PAT
APPLICATION DEADLINE: October 31, 2009
APPLICATION FEE: Rs 2,000

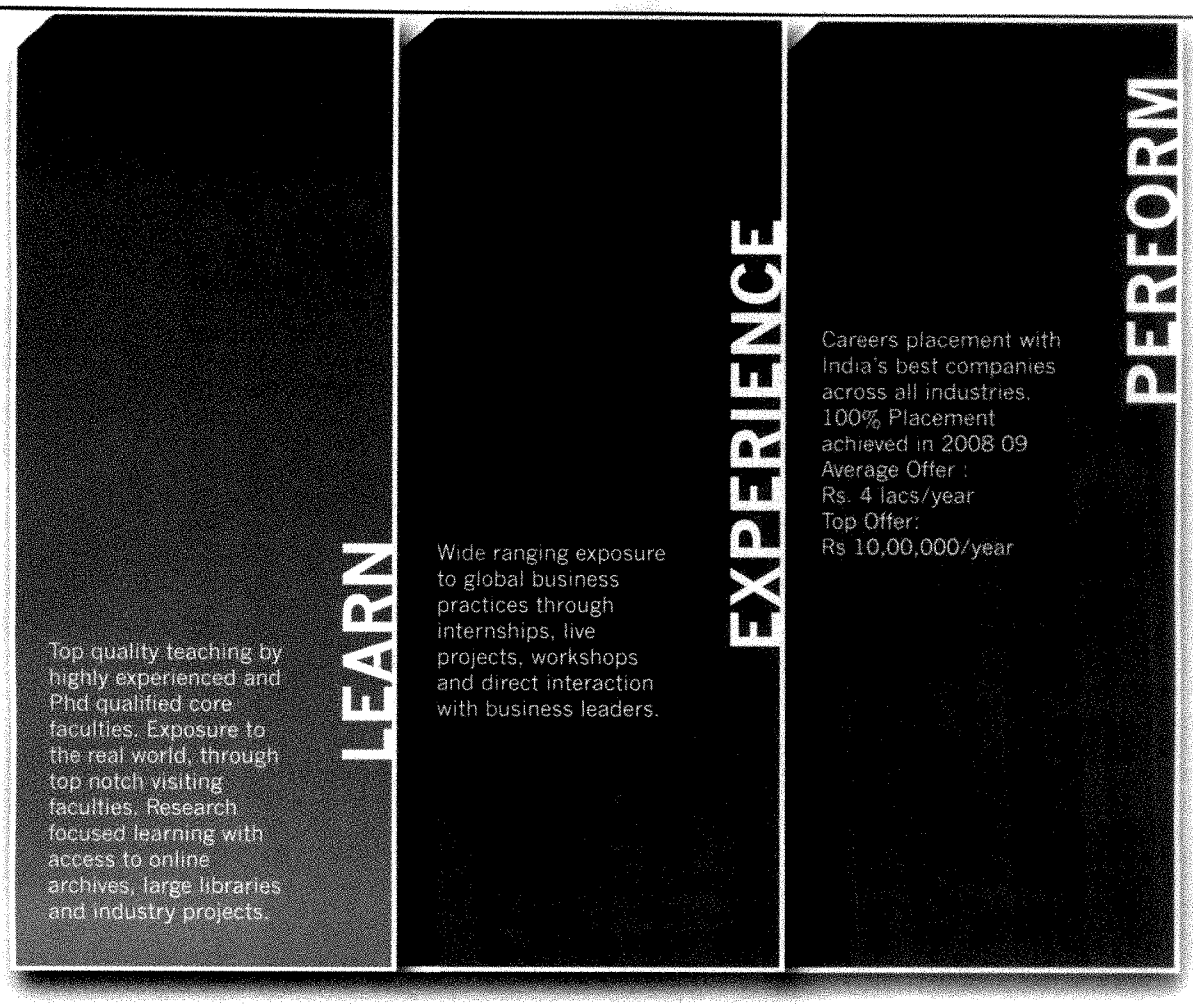
IIPM, Mumbai

ADDRESS: IIPM Tower-1 Plot no E-781, S.V.Road Khar (W) Mumbai-400052
ADMISSIONS PHONE: 022-66929681-30264151/52/53
ADMISSIONS
E-MAIL: admission.mumbai@iipm.edu
WEBSITE: www.iipm.edu
ENTRANCE TEST REQUIRED: E-PAT
APPLICATION DEADLINE: October 31, 2009
APPLICATION FEE: Rs 2,000

IIT Delhi

ADDRESS: Department of Management Studies (DMS), Vishwakarama Bhavan,

Rs 19k FMS' TUITION FEE IS THE lowest among top management institutes.



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OR Download the Application Kit from www.itm.edu/programs/pgdbm.php, and submit with a cheque/DD of Rs. 1000/-

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ITM Business School grants a limited number of merit-cum-means scholarships. The awards range from 25-100% of annual tuition fees. Deadline for scholarship applications: 30th December 2009.

APPLICATION DEADLINE
31st March 2010

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IIT, Shaheed Jeet Singh Marg, New Delhi-110016
CONTACT PERSON: Dr M.P. Gupta
ADMISSIONS PHONE: 011-26591171
ADMISSIONS E-MAIL: admissions@dmsiitd.org
WEBSITE: www.dmsiitd.org
ANNUAL TUITION AND FEE: Rs 57,000 (1st year) & Rs 53,000 (2nd year)
ROOM & BOARD: Rs 35,000 (1st year), Rs 30,600 (2nd year)
SIZE OF INCOMING CLASS: 115
ENTRANCE TESTS REQUIRED: JMET
APPLICATION DEADLINE: October 16, 2009
APPLICATION FEE: Rs 750 for General Candidates and Rs 350 for SC/ST/PD

ISB Hyderabad

ADDRESS: Indian School of Business, Gachibowli, Hyderabad-500032
CONTACT PERSON: Varsha Ratnaparke
ADMISSIONS PHONE: 040-23187474/84/94
ADMISSIONS E-MAIL: pgpadmissions@isb.edu
WEBSITE: www.isb.edu
ANNUAL TUITION AND FEE: Rs 20,00,000
SIZE OF INCOMING CLASS: 574
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME: ISB offers a one-year Post-Graduate Programme in Management
ENTRANCE TESTS REQUIRED: GMAT
APPLICATION DEADLINE: September 15, 2009 for First Cycle, December 31, for Second Cycle and January 15, 2010 for International students.
APPLICATION FEE: Rs 3,000

IMT, Ghaziabad

ADDRESS: Institute of Management Technology, Hapur Road, Raj Nagar, Ghazibad-201 001

TWO CYCLES EXIST for the application process in the same year at ISB Hyderabad. While the deadline for the first cycle is over, the deadline for the second cycle is December 31.

CONTACT PERSON: Dr A.M. Sherry
ADMISSIONS PHONE: 0129-2705628
ADMISSIONS E-MAIL: admissions@imt.edu
WEBSITE: www.imt.edu
ANNUAL TUITION AND FEE: Rs 4,75,000
ROOM & BOARD: Rs 75,000 annual
SIZE OF INCOMING CLASS: 420 (2-year PGDM programme)
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 840
ENTRANCE TEST REQUIRED: CAT
APPLICATION DEADLINE: November 27, 2009
APPLICATION FEE: Rs 1,600

J

JBIMS, Mumbai*

ADDRESS: Jamnalal Bajaj Institute of Management Studies, 164 Backbay Reclamation H.T.Parekh Marg, Mumbai-400020
ADMISSIONS PHONE: 022-22620601/06
WEBSITE: www.jbims.edu
ANNUAL TUITION AND FEE: Rs 1,00,000
SIZE OF INCOMING CLASS: 120
ENTRANCE TESTS ACCEPTED: CET/ CAT/JMET/MAT/ATMA/XAT
APPLICATION FEE: Rs 1,150

K

K.J. Somaiya Institute of Management Studies & Research

ADDRESS: Vidyanagar, Vidyavihar (E), Mumbai-400077
CONTACT PERSON: Sanjeev
ADMISSIONS PHONE: 022-67283000/3050
ADMISSIONS E-MAIL: admission@simsr.somaiya.edu
WEBSITE: simsr.somaiya.edu
ANNUAL TUITION AND FEE: Rs 1,30,000
ROOM & BOARD: Hostel fee Rs 60,250 per year; Boarding charges Rs 2,100 p.m.
SIZE OF INCOMING CLASS: 120 seats
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 240
ENTRANCE TEST REQUIRED: CAT
APPLICATION DEADLINE: December 31, 2009
APPLICATION FEE: Rs 1,500

L

LIBA

ADDRESS: Loyola Institute of Business Administration, Loyola College, Chennai-600034,
CONTACT PERSON: Xavier
ADMISSIONS PHONE: 09444028418
ADMISSIONS E-MAIL: admissions@liba.edu
WEBSITE: www.liba.edu
ANNUAL TUITION AND FEE: Rs 2,22,000
ROOM & BOARD: Rs 43,000
SIZE OF INCOMING CLASS: 120
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 118+112=230
ENTRANCE TEST REQUIRED: XAT 2010
APPLICATION DEADLINE: January 18, 2010
APPLICATION FEE: Rs 1,000

M

MDI, Gurgaon*

ADDRESS: Management Development Institute, Mehrauli Road, Sukhrali, Gurgaon-122 007-02 Haryana
ADMISSIONS PHONE: 0124-2349831/4013050
ADMISSIONS E-MAIL: admissions@mdi.ac.in
WEBSITE: www.mdi.ac.in
ANNUAL TUITION AND FEE: Rs 3,70,000 (2009-10), Rs 4,10,000 (2010-11)
ROOM & BOARD: Rs 82,000 (2009-10), 89,000 (2010-11)
SIZE OF INCOMING CLASS: 120
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 240
ENTRANCE TEST REQUIRED: CAT
APPLICATION DEADLINE: November 14, 2009
APPLICATION FEE: Rs 1,750

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Markets are competitive with a proliferation of look-alikes. To be different and have an edge over the other market players, companies turn to Design Thinking and Innovation. But how important is innovation in increasing the market share of an organization? The obvious answer being - very important. Design is acknowledged as being critical for success in firms, and increasingly for the nation.

"Of the 500 companies originally making the S & P 500 list in 1957, only 74 remained on the list through to 1997"

Foster & Kaplan -1998

So then, in a world where knowledge is increasingly shared and innovation becomes a collaborative process, is traditional learning or conventional academia still relevant? Not really.

Thus, to make your career future-proof, you must get an insight into the wide spectrum of innovation that exists in management today. It will help you analyze the value of innovation in a dynamic and competitive market.

"Innovation" signifies change or improvement, and thus implies that there is something to look forward to. And "Innovation" when viewed as a business strategy, means that the company is upwardly mobile and is looking beyond the usual or the mundane.

Delve further and you'll be astounded by the career prospects it holds within.

Today, design is no longer an object that matches the basic parameters of aesthetics. Nor is it about a designer's gut feel or something that satiates someone's artistic instincts. It's a science.

Hence, it is imperative to understand this science in order to transform yourself from being an accidental innovator to a high performance innovation leader.

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Prof. Dr. Uday Salunkhe
Group Director, Welingkar Education

You take the strengths of WeSchool, with their understanding of design concepts, and merge it with the cutting-edge, technologically-based education that provides you an exciting and unique career opportunity.

"By 2020, more than 75% of the S & P 500 will consist of companies we do not even know today"

Foster & Kaplan - 2003

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Firms must innovate in order to maintain their competitiveness. This is no easy task, however, it requires insight and ingenuity to organize innovation processes within the firm.

As a Design and Innovation Management graduate, you will have an excellent foundation for a future career. Because science and technology play an important role in the everyday life of almost all domains of our knowledge society, a Degree in Design and Innovation Management opens doors to a large, diverse and challenging set of jobs. Your ability to integrate science of design and innovation into complex, multi-disciplinary problems will make you well-suited for jobs in high-level strategic management with any of the top-notch corporates.

Contact: Prin. L. N. Welingkar Institute of Management Development and Research

Mumbai: L. Napoo Road, Matunga (C. Rly.), Mumbai - 400 019. Tel.: 022 - 24178300 **Bengaluru:** 102/103, G - 19 Electronic City Phase 1, Next to Telephone Exchange Hosur Road, Bengaluru - 560 100. Tel.: 080 - 42678300
e-mail: we@welingkar.org, **Website: www.welingkar.org**

N

NMIMS, Mumbai

ADDRESS: S.V.K.M.S.NMIMS University, V.L. Mehta Road Vile Parle (W), Mumbai-400056
CONTACT PERSON: Varsha Parab
ADMISSIONS PHONE: 022-26134577
ADMISSIONS E-MAIL: varsha.parab@nmims.edu
WEBSITE: www.nmims.edu
ANNUAL TUITION AND FEE: Rs 3,75,000
SIZE OF INCOMING CLASS: 300
ENTRANCE TESTS REQUIRED: NMAT
APPLICATION DEADLINE: November 2009
APPLICATION FEE: Rs 1,600; GD/PI fees Rs 950

P

P.L.N.Welingkar

ADDRESS: Welingkar Institute of Management Development & Research, L.N.Road, next to Podar College, Matunga, Mumbai 400019
CONTACT PERSON: Manisha Dixit
ADMISSIONS PHONE: 022-24178300 ext 739
ADMISSIONS E-MAIL: admissions@welingkar.org
WEBSITE: www.welingkar.org
ANNUAL TUITION AND FEE: PGDM-Rs 2,50,000, MMS-Rs 1,50,000
ROOM & BOARD: Hostel fee, Non A/C room Rs 60,000; A/C room Rs 84,000 annual
SIZE OF INCOMING CLASS: PGDM-180 seats, PGDM Business Design-60 seats, MMS-120 seats
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 420+420=840
ENTRANCE TESTS ACCEPTED: CAT/ XAT/ ATMA/ MH-CET
APPLICATION DEADLINE: February each year
APPLICATION FEE: Rs 1,400

S

SIESCOM, Mumbai

ADDRESS: Sector-5, Plot-1E, Nerul, Navi Mumbai-400706
ADMISSIONS PHONE: 022-27708376/77/73
ADMISSIONS E-MAIL: sies@siescoms.edu
WEBSITE: www.siescoms.edu
ANNUAL TUITION AND FEE: Rs 1,60,000
ROOM & BOARD: Not applicable for institution but the cost comes to around Rs 5,000 per month, per person
SIZE OF INCOMING CLASS: 120
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 240
ENTRANCE TESTS ACCEPTED: CAT/XAT/MAT/CET/SIES Entrance Test
APPLICATION DEADLINE: February each year
APPLICATION FEE: Rs 1,350

Four MUMBAI B-SCHOOLS ON THE LIST accept scores from three or more separate tests.

SPJIMR, Mumbai

ADDRESS: Munshi Nagar, Dadabhai Road, Andheri (W), Mumbai-400 058
CONTACT PERSON: Preeti
ADMISSIONS PHONE: 022-26237454/ 0396/ 2401/ 249
ADMISSIONS E-MAIL: admission09@spjimr.org
WEBSITE: www.spjimr.org
ANNUAL TUITION AND FEE: Rs 3,15,000
ROOM & BOARD: Rs 35,000 per year (Hostel) Rs 25,000 per year (Mess charges)
SIZE OF INCOMING CLASS: 180
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 355
ENTRANCE TESTS ACCEPTED: CAT/ XAT/ GMAT
APPLICATION DEADLINE: November 30, 2009
APPLICATION FEE: Rs 1,200

Symbiosis, Pune

ADDRESS: Symbiosis Center for Management and Human Resource Development, Symbiosis International University,Symbiosis Infotech Campus, Plot-15, Rajiv Gandhi Infotech Campus, MIDC, Hinjewadi, Pune-411057
CONTACT PERSON: Priya Kher
ADMISSIONS PHONE: 020-22932640
ADMISSIONS E-MAIL: admissions@scmhrd.edu
WEBSITE: www.scmhrd.edu
ANNUAL TUITION AND FEE: Rs 4,05,000
ROOM & BOARD: Included in total fee. Provided on-campus to each student
SIZE OF INCOMING CLASS: 184
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 184+197=381
ENTRANCE TEST REQUIRED: SNAP
APPLICATION DEADLINE: January 11, 2010
APPLICATION FEE: Rs 1,000

Source: B-school administration/ websites

T

TISS, Mumbai

ADDRESS: School of Management Studies, Tata Institute of Social Sciences, Sion-Trombay Road, Deonar, Mumbai-400088
CONTACT PERSON: Sasmita Palo
ADMISSIONS PHONE: 022-25525262
ADMISSIONS E-MAIL: pgadmissions@tiss.edu
WEBSITE: www.tiss.edu
TUITION AND FEE: Rs 1,12,334 (for both years)
ROOM & BOARD: Rs 36,000
SIZE OF INCOMING CLASS: 53
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 65+51=116
ENTRANCE TEST REQUIRED: All India-level Entrance Test in mid December followed by GD and PI in mid-March
APPLICATION DEADLINE: Yet to be decided
APPLICATION FEE: Rs 1,000 (Likely to be increased for the academic year 2010-11)

X

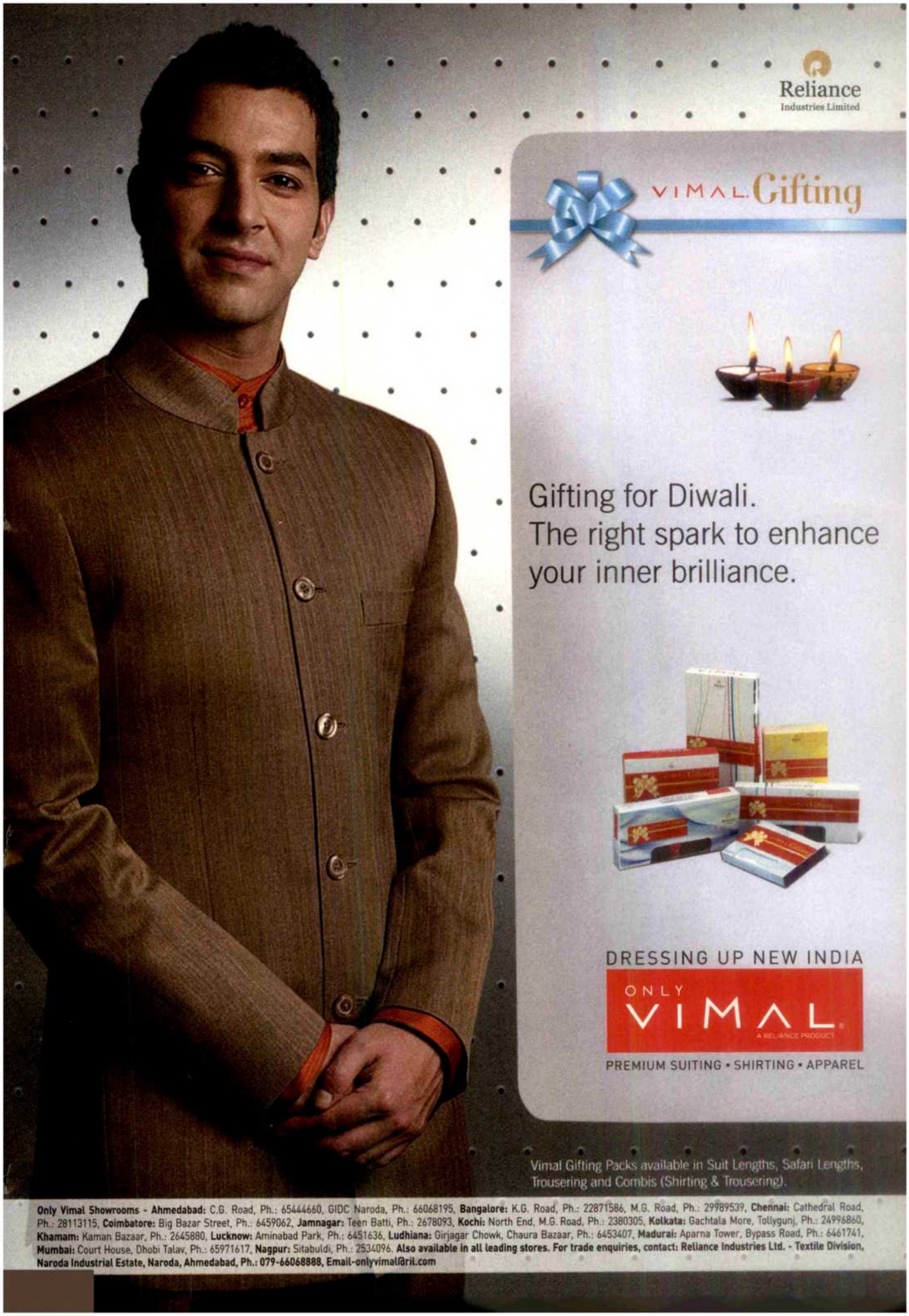
XIM, Bhubaneswar

ADDRESS: Xavier Institute of Management, Xavier Square, Bhubaneswar-751013
ADMISSIONS PHONE: 0674-23983806
ADMISSIONS E-MAIL: admission@ximb.ac.in
WEBSITE: www.ximb.ac.in
ANNUAL TUITION AND FEE: Rs 3,10,000
ROOM & BOARD: Rs 3,00,000
SIZE OF INCOMING CLASS: 180
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME (BOTH YEARS): 300
ENTRANCE TESTS REQUIRED: XAT
APPLICATION DEADLINE: December 15, 2009
APPLICATION FEE: Rs 1,000

XLRI, Jamshedpur

ADDRESS: XLRI, Post Box 222, C.H. Area (East), Jamshedpur-831035
CONTACT PERSON: Roshan N. Dastur
ADMISSIONS PHONE: 0657-23983203
ADMISSIONS E-MAIL: admis@xlri.ac.in
WEBSITE: www.xlri.ac.in
TUITION AND FEE: Rs 4,50,000 for two years
ROOM & BOARD: Rs 1,09,000 (For two years)
SIZE OF INCOMING CLASS: 120+120=240
TOTAL NUMBER OF STUDENTS ENROLLED IN THE PROGRAMME: 420 (2009-10)
ENTRANCE TESTS REQUIRED: XAT
APPLICATION DEADLINE: November 30, 2009
APPLICATION FEE: Rs 800

*All information from websites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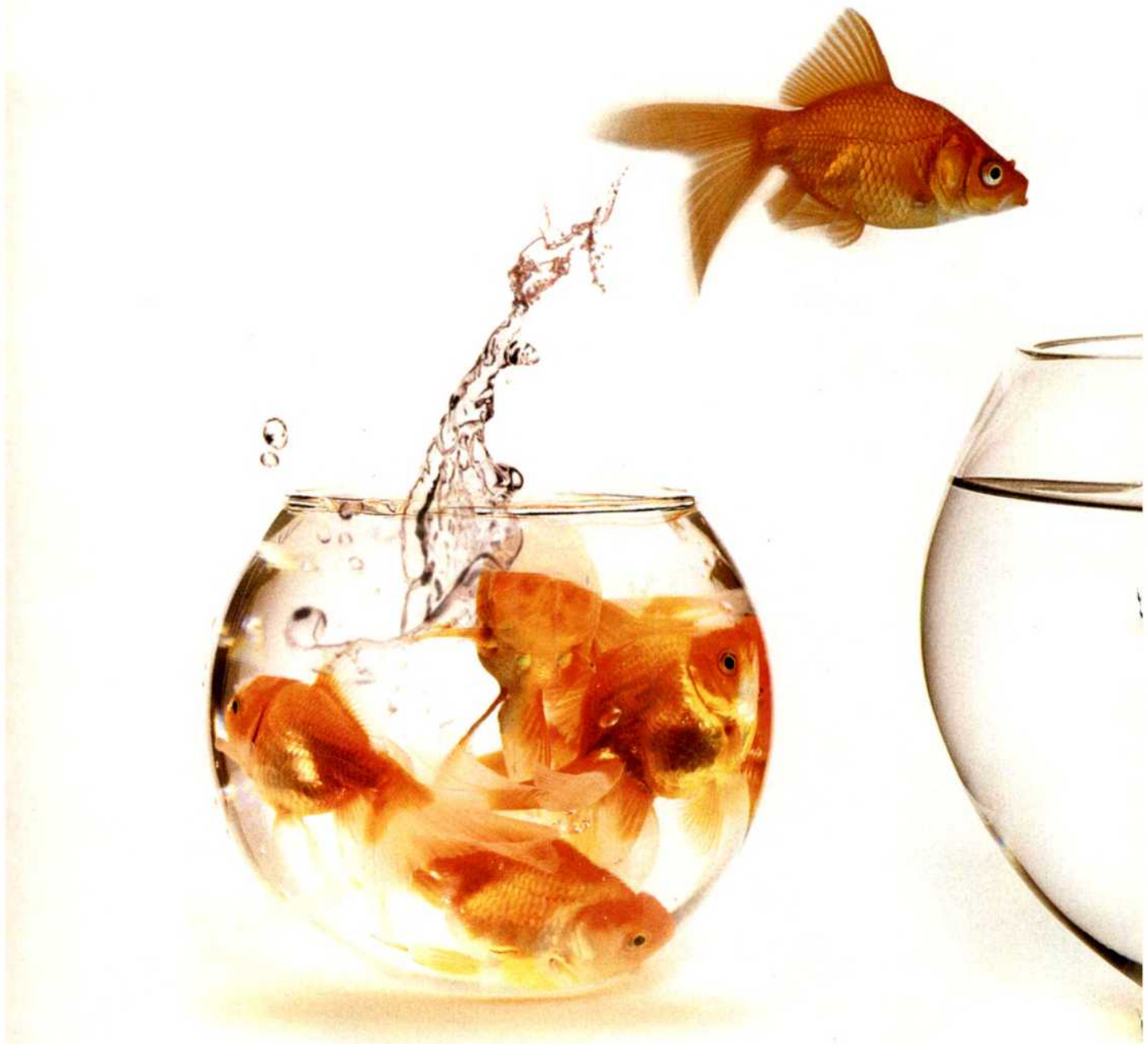
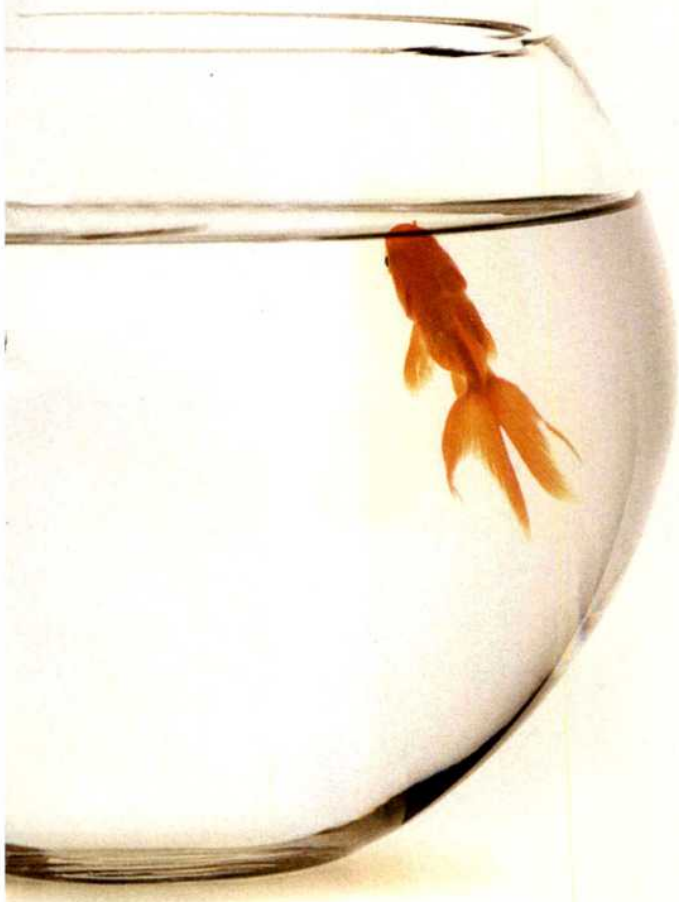


THE INDIA TODAY GROUP

TO WORK FOR: 2009

GOOD IS THE COMPANY YOU WORK FOR

Business Today's 'Best Companies to Work for' Survey—India's oldest and most credible–has a new avatar. We invite you (employees, alumni and job-seekers) to evaluate the companies you work for—or you want to work for. Employees are in the best position to tell how good a company is as a place to work in and how it can become better. Here's your chance. The Best Companies to Work for Survey 2009 is being voted for by the employees. Get your vote in today.



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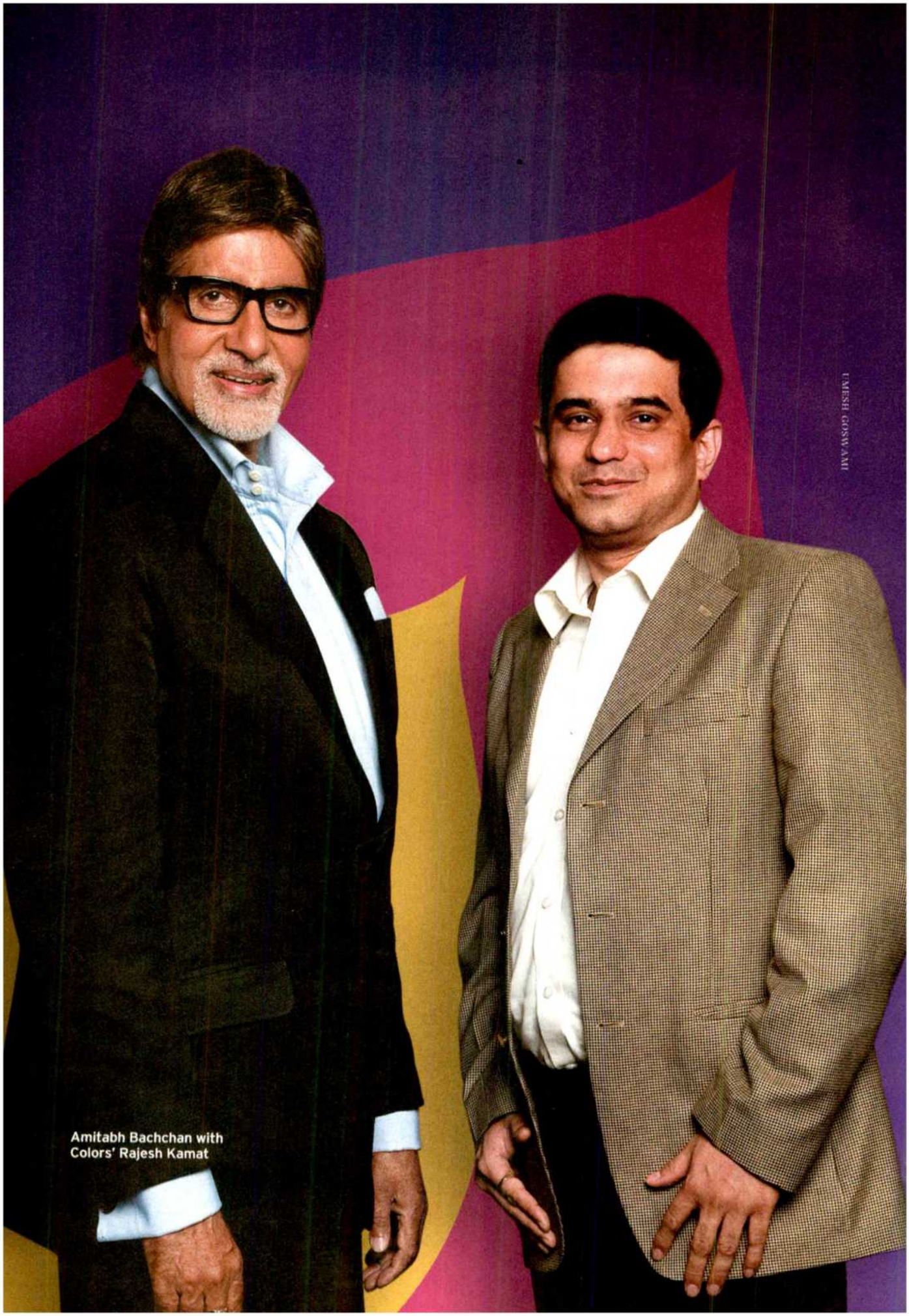
business today
FOR MANAGING TOMORROW



UMESH GOSWAMI

Amitabh Bachchan with Colors' Rajesh Kamat

Is he still the Big Boss?

Colors ups the stakes in general entertainment by getting Amitabh Bachchan onto a reality show in a bid to establish a decisive lead. ANUSHA SUBRAMANIAN

Nau baj gaya kya?

July 2000: Amitabh Bachchan is the host on the Indian version of the television quiz show *Who Wants to be a Millionaire?* The superstar is on the small screen for the first time, on Rupert Murdoch's STAR Plus, which is running the risk of withering in the shadow of television broadcasting pioneer Zee Entertainment. Like STAR Plus, the 58-year-old Big B's career, too, is uncertain. In a matter of days, the verdict is as clear as a picture on a HDTV flat-screen TV. The Big B is back. STAR Plus has raced to #1 on the back of *Kaun Banega Crorepati* (*KBC*). The numbers are eye-popping: In the first episode, STAR Plus's channel share races from 2 per cent to 25 per cent! The programming team, led by Sameer Nair, follows up *KBC* with some ground-breaking women-oriented soaps. Nair's gambit of wooing Bachchan has paid off. STAR Plus rules the small screen in the general entertainment space for the next eight years. And nine o'clock prime-time viewing will never be the same.

SPLASH OF COLOR

It's been a heady beginning in the GEC space.

- **#3 on day of launch.**
- **Crossed 100 GRPs in week 2.**
- **#2 in the 10th week of launch.**
- **#1 after nine months.**
- **Clocked 325 GRPs in the 6-12 September week, the highest by any Hindi GEC since Colors was launched.**

October 4, 2009: Bachchan is back on the small screen after four years. He's not with STAR Plus any more. This time around, he's signed up with broadcasting upstart Colors, the Hindi general entertainment channel (GEC) from the stable of Viacom 18 (a joint venture between Viacom and Network18 Group). The question on every couch potato's lips: Can the Bachchan magic work again?

There are few parallels, however, to be drawn between Big B's TV debut nine years ago, and the journey he has now embarked upon. For one, the formats are completely different, as is the role Bachchan will play—that of

a "Pop Philosopher" for the third season of *Bigg Boss*, an adaptation of UK reality show *Big Brother*. For another, the circumstances are very different for Colors today than they were for STAR Plus in 2000. And therein hangs an intriguing tale.

Meteoric wouldn't be an inappropriate adjective to describe Colors' progress, which launched 14 months ago. Today, it's running neck-and-neck with STAR Plus. For week 38 (September 13-19), both Colors and STAR Plus recorded a channel share of 22 per cent. Indeed, it's been a fascinating weekly tussle between the two broadcasters, with leadership see-sawing between the two. For instance, in week 37, Colors was comfortably at pole position with 325 gross rating points (GRPS). The following week, however, belonged to STAR Plus, which crept ahead with 281 GRPS, a slender lead of just two points over Colors.

It's against this highly-competitive backdrop that bringing on Big B takes a new twist. Nine years ago, it was the case of the underdog coming from behind (behind Zee and Sony). Today, with Bachchan in tow, Colors is hoping to race ahead of its too-close-for-comfort competitor STAR Plus. Says Rajesh Kamat, CEO, Colors: "Everyone wants a new twist either in the form of a new format or a new show or a new big-ticket celebrity. Today, we are fighting a battle that is neck-and-neck. So, the question for us is: What will help us widen the gap further with the market leader."

Kamat dubs *Bigg Boss-3* as Level 3. Level 2 happened with the recently launched *Fear Factor-Khatron ke Khiladi (KKK)*, which allowed Colors to get within striking distance of STAR Plus. While *KKK-1* opened with a rating of 2 when it launched, *KKK-2* opened with a rating of 4.4 TVR in the first week of its launch. "(With *Bigg Boss-3*) we hope to stabilise and settle at a level which will widen the gap between #1 and #2," adds Kamat.

It's Colors vs STAR Plus

CHANNEL	GROSS RATINGS POINTS		CHANNEL SHARE %	
	Wk 37	Wk 38	Wk 37	Wk 38
STAR Plus	273	281	20	22
Colors	**325**	**279**	**24**	**22**
Zee TV	254	246	19	19
Sony Entertainment TV	131	133	10	10
NDTV Imagine	100	103	7	8
SAB	69	65	5	5
DD1	52	62	4	5
STAR One	53	47	4	4
Sahara One	37	30	3	2
9X	18	17	1	1
STAR Utsav	18	16	1	1
Real	8	6	1	Negligible

Period: Wk 37 (Sept. 6-12, '09), Wk 38 (Sept. 13-19, '09)
TG: CS 4+yrs Market: Hindi Speaking Source: TAM Peoplemeter System

RACHIT GOSWAMI

"There's no doubt: Big B will do a lot of good for the *Bigg Boss* show. He has an everlasting charisma"

Sameer Nair/ CEO/ NDTV Imagine

Unlike *KBC*, however, in *Bigg Boss-3*, Big B won't be in viewers' faces virtually every single day. Rather, he will appear only twice a week (as against five times a week when *KBC* was initially launched) on Fridays and Saturdays. So, of 84 episodes, Bachchan will be present only in 24. In contrast, the superstar was host for 85 episodes in *KBC*'s first run.

The money, however, continues to be attractive. It is estimated that Big B earned Rs 15 crore for 85 episodes of *KBC-1*. Industry officials point out that he would now be earning roughly Rs 2.25 crore per episode of *Bigg Boss-3*—a cool Rs 50 crore for a biweekly appearance. Colors officials would not confirm the figure.

So is Bachchan for just two days of the week—the show will run every day of the week—good enough to

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"I am a little Nervous"

Excerpts from an exclusive interview with Amitabh Bachchan.

You are coming back to the small screen after four years...
I think for all creative artists, it is always valuable to be going into spheres you have never been before. Challenges for a creative artist are a must for growth; doing television again, albeit in a different format, is a challenge for me.

How difficult is this new challenge going to be?
I am a little nervous. Even now if I have to go for a film shoot or a photo shoot, I am apprehensive and so I am apprehensive about myself again on TV. Apprehensive because I do not know how I am going to get accepted. We are unsure of what the audience will think of us because eventually they are the ones who are going to decide whether we are good, bad or terrible. It's a judgment that they pass. Just like every Friday I used to wait for the outcome of my film release, from October onwards now on *Bigg Boss-3* every Friday will be a judgment day for me because that's the day I will be on air... (But) firstly I need to take care of my health to be able to do the show and make sure that I look presentable.

Has your contract with STAR Plus been completely dissolved?
Yes it has been. I had just a few episodes left. I could not continue because I fell ill. But all that has been sorted out amicably. The contract with Colors is an exclusive one for this season of *Bigg Boss-3*.

Can you demystify the concept of "Pop Philosopher" that you will be playing in *Bigg Boss-3*?
There is no mystery to it. The whole idea of the "pop philosopher" was something that I initiated during my several meetings with Colors. I thought it to be very interesting to examine why people behave the way they do when subjected to extreme circumstances. If this were to be assessed, analysed and fed back to them, what would be the result? Would they come out as better humans, would we be able to project that to a larger section of the television viewers? Could we then expect a better understanding of their conduct? That is what we intend to incorporate in some ways in the show. While we cannot change the format of the show, we can try and incorporate some elements of introspection, which would, perhaps, be a novelty.

Just as things changed for STAR Plus when they signed you on for *Kaun Banega Crorepati*, do you think you can create the same magic for Colors as well?
I do not know. I don't get into any venture with this intention that I am going to turn the fortunes of the channel. I would be very happy if it turns my own fortune around. I would just like to perform diligently and deliver the goods. And, if the goods perform well at the box office I will be happy.

deliver the goods for Colors? Nair, who knows a thing or two about working with the Big B on the small screen, says the two roles are not comparable. "Unlike *KBC*, where he was seen Monday to Friday start to end, in his current role he will appear only twice a week; so in that sense his role is limited in the show. But there's no doubt: Big B will do a lot of good for the *Bigg Boss* show," says Nair, now CEO of another GEC, NDTV Imagine. Nair, in fact, was keen to get Bachchan to host a show on NDTV Imagine. "We had spoken to him about the idea and he had liked it as well. But finally it did not materialise from our end," shrugs Nair.

Clearly, Colors is gambling big on Bachchan to gain a decisive leadership. The company is still in investment mode, and breakeven is targeted for 2010-11. Vivek Couto, Executive Director, Media Partners Asia, a Hong Kong-based Media Research and Consultancy firm, expects Colors to contribute close to Rs 400 crore to Viacom 18's revenues by the end of the current fiscal. That will be more than double what Viacom 18's other TV channels—MTV, Nickelodeon and VH1—are expected to bring in. Kamat hints that he's still got plenty of ammunition in store. "All our programming slots are not full yet. We still have 5-6 hours of original programming slots to be filled up. We still haven't started the afternoon band. So, we have a lot of scope," says Kamat. For the time being, however, plenty rests on the broad, albeit aging, shoulders of the Big B. "He has an everlasting charisma," says Nair. Yet, it remains to be seen whether that charisma in small doses will be good enough to make Colors the Big Boss in Indian general entertainment. ⊙

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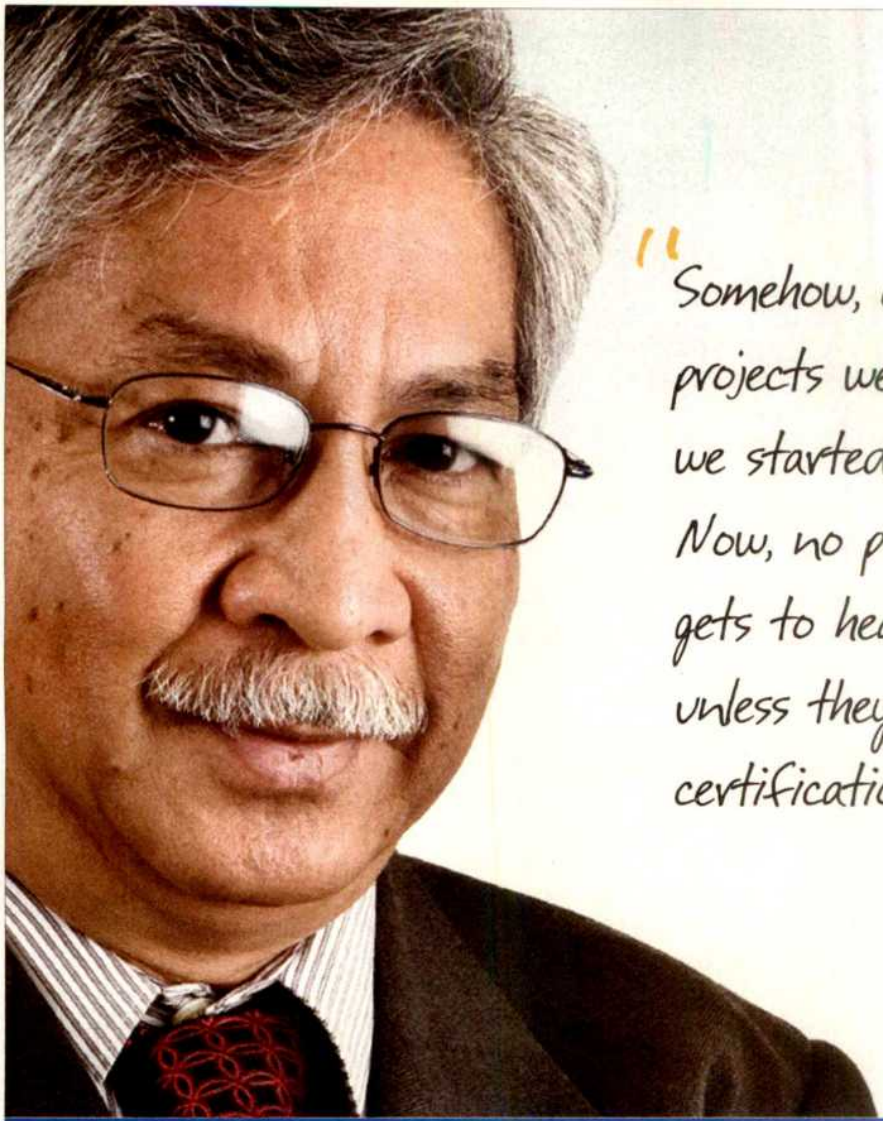

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Stormrider

R. Mukundan, who took over at the helm of Tata Chemicals at a time when the global credit crisis was peaking, has been able to pull off something many CEOs have been unable to: Manage global acquisitions made in boom times. VIRENDRA VERMA

A couple of years ago, any billion-dollar, or over, acquisition overseas was hailed as the arrival of India Inc. on the global stage. Then came the global recession, and acquirer after acquirer stumbled, as demand conditions softened, and the debt used to finance these transactions became the proverbial millstone around the necks of acquisitive promoters. Suddenly yesterday's gung-ho globalisers were transformed into clueless adventurists. Tata Steel, Tata Motors, Hindalco, Suzlon....it's a long list of India's large-cap cream that was tarred with the brush of apparently recklessness.

Not too many of India's big league have been able to buck that trend. If there's one in the top tier that has shown signs of making sense of its merger & amalgamation (M&A) spree, it's the Rs 12,341-crore Tata Chemicals (TCL). Since 2006, the manufacturer of fertiliser, soda ash and edible salt made three global acquisitions of soda ash capacities. The last one was the biggest—worth just over a billion dollars—and was done at the peak of the boom times in 2008. TCL paid Rs 4,800 crore for a 100 per cent buyout of General Chemicals Industrial Products of the US in January, 2008. A couple of years before that, another significant acquisition took place—that of Brunner Mond of the UK for a little over Rs 508 crore, for a 63.5 per cent stake (see *Takeover Trail* for the full list). With these purchases, TCL became the second-largest manufacturer of soda ash in the world, after Solvay of Belgium.

At first blush, TCL's numbers would indicate that it is reeling under the burden of achieving that size and scale—which can backfire badly when demand conditions turn soft. Net profits fell 21 per cent to Rs 760 crore (consolidated) even though sales jumped 87 per cent to Rs 12,341 crore for the year ended March 2009. In the first quarter of the current fiscal, net profit plunged by 60 per cent to Rs 42.5 crore while sales were almost flat at Rs 2,274 crore.

That may not be the best of report cards to flash around, but it is still better than those of the likes of Tata Motors, Tata Steel and Suzlon, which were all floating in a sea of red in the June ended quarter. More importantly, what should hold TCL in better stead is that it did not rely too heavily on debt for its buyouts. That is reflected in a debt-equity ratio of 1.31 at the end of March 2009 compared to 1.29 in the previous year. In comparison, the corresponding ratio for companies like Tata Motors, Tata Steel and Suzlon had increased by almost 50 per cent last fiscal over the previous 12-month period. TCL was able to repay debt of Rs 440 crore and increase its cash position to Rs 1,253 crore at the end of June quarter, indicating a stable liquidity position.

"In the midst of the slowdown, we were fortunate to have a portfolio of businesses that had a mixed reaction to the slowdown," points out 43-year-old Ramakrishnan Mukundan, Managing Director, TCL. He adds that sales to the fast-

"In the midst of the slowdown, we were fortunate to have a portfolio of businesses that had a mixed reaction to the slowdown."

RAMAKRISHNAN MUKUNDAN/ 43

ACADEMIC BACKGROUND
MBA from FMS Delhi, B Tech from IIT Rourkee.

THE TATA JOURNEY
Joined Tata Administrative Services in 1990; first assignment with the Indian Hotels Co in projects department; in 1994, joined the start-up team at Tata AutoComp. In 2001, joined Tata Chemicals as Vice President.

BIGGEST ACHIEVEMENT SO FAR
Involved in three global acquisitions made by Tata Chemicals. Currently managing their integration.

NEWEST CHALLENGE
To exploit synergies with group company Rallis India.

LITTLE-KNOWN FACT
The second-youngest MD in the Tata Group after Mukund Govind Rajan of Tata Teleservices (Maharashtra).

UMESH GOSWAMI/www.indiatodayimages.com

moving consumer goods sector (soda ash is used to make detergents) and the edible salt business were not impacted by the downturn. Fertiliser volumes weren't impacted, and if soda ash did take a hit, it was because two of its biggest end-user industries—automotive and construction—were hit by the slowdown (soda ash is used to make flat glass, which is used in both these sectors).

That's Mukundan giving the operational rationale for TCL being able to survive the downturn. Yet, analysts tracking the company as

TAKEOVER TRAIL

Company	Country	Cost (Rs cr)	Stake (%)	Period	Current Status
General Chemicals Industrial Products	US	4,800	100	Jan. 2008	Soda ash production capacity at 90% from 75% last year
Brunner Mond	UK	508	63.5	Dec. 2005	Sales jumped 32 per cent in 2008/09
J Oil Pte	Singapore	85	33.8	Nov. 2008	Operations yet to start
Indo Maroc Phosphore SA	Morocco	166	33.33	Mar. 2005	Using the company's products as inputs for chemical business in India

Note: As part of Brunner Mond acquisition, Tata Chem also bought 100 per cent in Magadi Soda Co in Kenya in 2006; list doesn't include recent purchase of Rallis' stake

well as company insiders are quick to bestow some of the credit on Mukundan himself. Says Ajay Parmar, Head of Research, Emkay Global Financial Services: "Compared to the turmoil the world has gone through, Mukundan has done well for himself to ensure a relatively smooth sailing." He also has age on his side, adds Parmar.

Indeed, when Mukundan took over the reins at TCL in December 2008, he was just 42, making him one of the youngest CEOs in the nearly-100-company-strong-Tata Group—the youngest was Mukund Govind Rajan, who became MD of Tata Teleservices (Maharashtra) at 39. The manager from the Tata Administrative Service (TAS) joined the group in 1990 in the projects department of Indian Hotels Co; four years later, he moved to Tata AutoComp; by 2001 was with TCL as Vice President.

Mukundan, who was Executive Vice President at TCL when it embarked on the acquisition gambit, was hands-on involved in the M&A exercise, working closely with then Managing Director Homi Khusrokhan. Although the buyouts were done when markets were near peak levels, Mukundan points out that what will make it easier to make them work is that the entities taken over have low cost structures. "That's advantageous both in the bad and good times," points out the Managing Director. For example, the acquisitions in the US and in Kenya had natural soda ash deposits where the cost of manufacturing is lower than that of synthetic soda. The cost of manufacturing soda ash through natural deposit is $60-70 per tonne while for synthetic soda ash it is $100-130 per tonne; the selling price for both is the same.

Mukundan may have been part of the think-thank that strategised the acquisitions, but now he is at the forefront of the task of making them work and integrating them into TCL. The company's cost saving and cash conservation programme—Action for Downturn Alleviation for Profitability in Turbulent Times (ADAPT)—has also been implemented in these companies. Through this programme, TCL was able to save Rs 50 crore in the June ended quarter. Its UK subsidiary Brunner Mond commissioned a new sodium bicarbonate plant with a capacity of 50,000 metric tonnes last quarter and its benefits would be visible in the next couple of quarters.

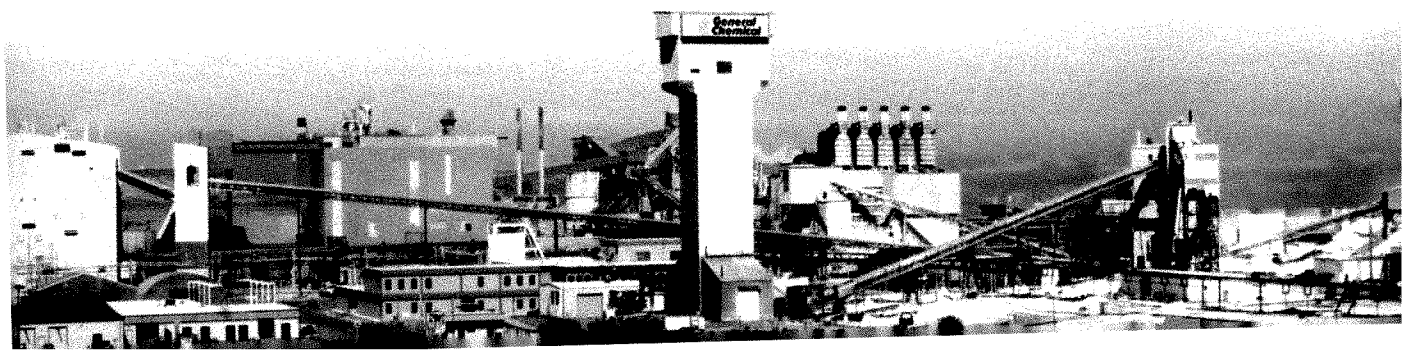
The timing might just be right for TCL's acquisitions to begin making meaningful contributions, what with an economic revival beginning slowly but surely. "The good news is that the bottom has been tested," says Mukundan, who expects prices to peak in three years. Analysts expect demand for soda ash to recover soon, what with the automotive and real estate markets showing signs of recovery.

Perhaps Mukundan's biggest success so far has been in convincing the Tata Sons's top brass to leverage synergies with group firm Rallis. TCL has increased its stake in the agrochemicals maker to 45 per cent (from 9.4 per cent), as both companies have products that are targeted at the agriculture sector (fertiliser and agrochemicals). The synergies that can be exploited include selling agro chemicals through TCL's 600 rural retail outlets Tata Kisan Sansar. Analysts don't rule out a merger of Rallis into TCL in future, although TCL officials refuse to shed more light on the matter.

A shot in the arm for TCL's fertiliser business is the assured supply of natural gas from Reliance Industries' KG Basin. This will ensure that TCL is able to increase capacity utilisation of its urea plants and also reduce its costs. An increase in capacity is also on the cards now. "De-bottlenecking of the capacities would not have been possible had the government not allocated additional gas," says Mukundan. TCL has increased capacity by almost 10 per cent to 3,500 metric tonnes of urea per day through the de-bottlenecking exercise. Analysts say the additional capacity will help improve profitability. The economic revival will doubtless come to TCL's rescue in the quarters ahead; and if Mukundan succeeds in integrating the overseas acquisitions, he will be amongst the first CEOs of India Inc. to prove that big-bang buyouts can actually work. ⊙

HOW TO MANAGE TAKEOVERS IN A DOWNTURN

- **Acquire assets with low cost of manufacturing.**
- **Diversify product portfolio to minimise effect of slowdown.**
- **Shift products from slow to fast-growing markets.**
- **Use rural retail outlets to reach out to the customers.**
- **Invest in businesses of the future like biofuels and specialty chemicals.**



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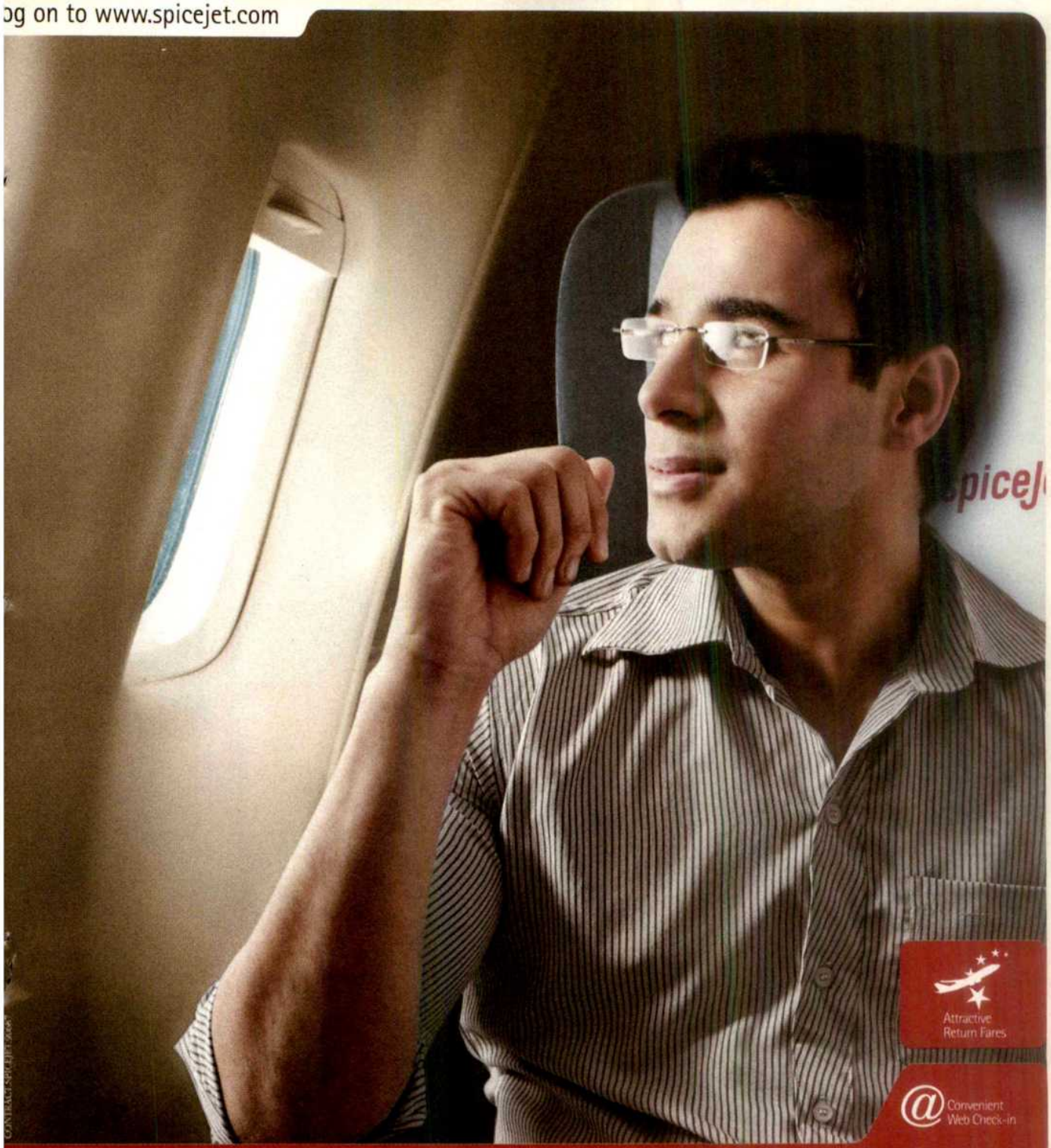

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The PROFIT COLLECTION

The man from Chile had no magic, just some adroit footwork to help Bata shake off losses, get back its shine—and keep it. ANUMEHA CHATURVEDI

VIVAN MEHRA/www.indiatodayimages.com

Then: Bata India's Q3 loss doubles...Bata's loss jumps to Rs 6.6 crore in Q1...Bata drops demerger plan, recast takes loss to Rs 62 crore...
Now: Recession? What recession?

When Thomas Bata handpicked old loyalist Marcelo Villagran in 2005 from Bata's thriving subsidiary in Chile to steer Bata India, the shoe major was scuffed and worn out. The balance sheet was splattered with red ink, shareholders were disgruntled, workers were unhappy—and India Shining was no longer thronging the outlets of the country's largest shoemaker.

"But even then, Mr Bata highlighted the immense opportunities the country and its market offered for the brand," recalls the unassuming Villagran, sitting at Bata's corporate headquarters in Gurgaon.

It was, perhaps, this underlying optimism and simplicity that had helped Villagran, who took the helm as Managing Director in February 2005, to steer it through one of the

Marcelo Villagran,
Managing Director, Bata India

"We're positioning our stores as the most knowledgeable in India"

THREE-POINT STRATEGY

Better Products, Fatter Margins: Re-engineered collection by doubling design team, refreshing range regularly and outsourcing parts to improve margins.

Expansion: Used the cash flowing from higher margins to expand—primarily through large-format stores.

Specialisation: To improve quality and cut costs made its factories specialists—Bangalore makes school shoes, Hosur is for Hush Puppies and Kolkata turns out sports shoes and sandals.

most dramatic turnarounds of the decade and into its longest profit-making streak this decade.

Recalling that fightback, from a loss of Rs 62.5 crore to a profit of Rs 12.5 crore the next year, Bata India Chairman Priya Mohan Sinha, a former head honcho of Pepsi and director of Hindustan Unilever, says: "What we achieved in 2005 was nothing short of remarkable. I've worked with Hindustan Unilever and Pepsi before this, but the experience of reviving a sick company like Bata was thrilling."

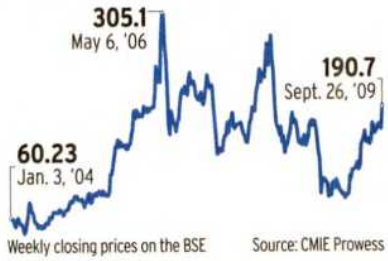
With over 1,200 stores nationwide and 70 new stores planned this year, and with profits growing in a world-wide recession (Rs 10.33 crore for the first quarter of 2009 and Rs 18.34 crore in the second quarter), brand Bata is now basking in its hard-earned retail glory.

"The turnaround was not so much from the point of marketing but was more closely linked to sales, quality and manufacturing capacity," says Sinha.

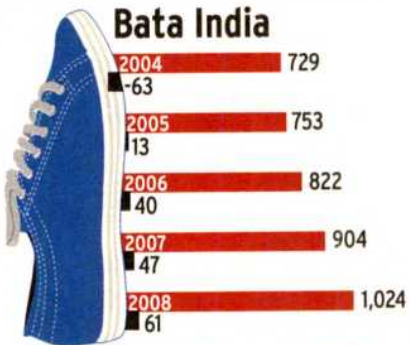
But if you ask the Managing Director how he did it, don't expect him to talk rocket science. Villagran, 67, says he had a three-point strategy. "The first and the biggest hurdle was the footwear collection. It was good but it wasn't giving us any margins for profits. So, we did a lot of re-engineering with the shoes and designs," he says.

OUT OF THE MUD, FINALLY

The Bata share perks up.



Weekly closing prices on the BSE Source: CMIE Prowess



Sales and other income Net profit/loss
Figures in Rs crore Source: Annual Report

KULDEEP

Bata doubled the number of people preparing the collection, cut costs by outsourcing a lot of operations, and refreshed the collection with chic designs without increasing the price, so that "Bata continued to remain very affordable." And yes, Bata has been importing parts on a large scale from China.

Expanding the number of stores came next. "We started generating good cash flow and were capitalised in 2005, so it was possible for us to expand. The primary focus was the expansion of big-format stores," says Villagran. While the format was international, Villagran kept a hawk's eye on the tiniest detail, like displaying shoes in pairs.

"We're the only one to have thought of doing so," says a beaming Villagran. The segmentation highlights the chic and trendy designs.

All this came after Bata tackled its famed unions. Villagran shrugs off unions as the least of his worries today, choosing instead to talk of the aggressive specialisation of factories.

"Specialisation was third on our list. Bangalore does school shoes, Hosur deals with Hush Puppies and the one in Kolkata manufactures sports shoes and sandals. This specialisation has helped us in improving the quality and reducing costs," Villagran says.

Room for All

And how is Bata tackling global giants like Nike and Reebok, apart from the unorganised market? "Around 60 per cent of the market is unorganised and I feel there's room for all of us. Our strength lies in our family stores, which have shoes for everyone—from parents and grandparents to school and college goers. Even busy professionals," says Villagran. "We're positioning our stores as the most knowledgeable in India. I guess it comes from having a presence here for a good 77 years."

DEBASHISH PAUL

Priya Mohan Sinha, Chairman, Bata India

"The turnaround was not so much from the point of marketing but was more closely linked to sales, quality and manufacturing capacity"

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Analysts are again taking an interest. Debanjana Chatterjee, Senior Research Analyst, FCH Centrum Wealth Managers, notes Bata's attempt to position itself as an FMCG player. "It's trying to project itself as a youthful, fashion-conscious brand...and is doing constant expansion and innovation to stay ahead," she says.

Chatterjee also notes Bata's sound presence in niches like industrial-safety footwear, which it entered 18 months ago. "Although these areas do not contribute significantly to sales, they offer a tremendous potential as a large part of the market is unorganised," she says.

Bata is also making a big play in the defence sector (in Chile, Bata is a big supplier to the defence forces), currently a monopoly of small suppliers. Bata reckons there are three million defence and paramilitary forces in India, and each of them is issued four pairs of shoes a year. That means a total of 12 million pairs: Last year, Bata sold 45 million pairs of shoes.

Fan Following

While strategies and plans are fine, what greatly benefits Bata is the fact that the man at the helm lives, eats and breathes the brand, and has been doing so for the past 38 years. This has reflected on morale: upbeat is the word for everybody down from senior officials who had seen Bata's decline and fall, to the salesman at an upmarket outlet pushing a particular pair priced at over Rs 5,000 in a recession-hit market. "Every person who was depressed is now upbeat, most upbeat," says a Bata veteran. "We have taken the right steps, done the right thing at the right time."

Ramesh Sadhu, Head, Retail Revolutions, at rival shoemaker Liberty, says Bata's focus on its collection and its stores has done wonders.

"Bata was initially dependent more on its own production, and shoes that were not accepted by the market," says Sadhu, who retired from Bata in 2002 as a Senior Vice-President, after a 19-year stint.

"So, they started importing goods that brought in high margins...I must say their merchandising team has done a remarkable job by introducing new lines every few weeks," says Sadhu.

Anustup Datta, Partner, Vertebrand, a brand strategy consulting outfit, points out that Bata as a brand has always enjoyed a fairly strong recall among consumers and has never lost out on its mindshare.

"When that is the case, it is never difficult to regain market share for any brand," says Datta. At the same time, by improving operational issues, it has gained a better share. "Also, luckily it has never been seriously challenged by another brand at a national level—this has made its climb back easier," says Datta.

Chairman Sinha is also all praise for Villagran: "I remember seeing him travel extensively and personally interacting with the people to be able to bring about the changes."

Villagran laughs when reminded of his workaholic behaviour and devotion to the company. "Perhaps, it helps that I hardly socialise and lead a fairly boring life," he smiles. With his family in Chile, and the potholed roads of Gurgaon a long way from his favourite passions of sailing and biking, his weekend pastimes today include dropping into Bata stores. "I know India very well now," he says. He should: not many MDs hang out at their stores and interact with customers. ⊙

Anustup Datta, Partner, Vertebrand

"Bata as a brand has always enjoyed a fairly strong recall... Also, luckily it has never been seriously challenged at a national level—this has made its climb back easier"

THE GLOBAL FOOTPRINT

Bata Group has production bases in **26** countries; Indian one is the largest.

Bata India is No 1 in unit sales also, with **45 million** pairs of footwear sold in 2008.

Raised turnover to over **Rs 1,000 crore** in midst of recession.

Worldwide, Bata has **4,600** retail stores—and **1,200** are in India.

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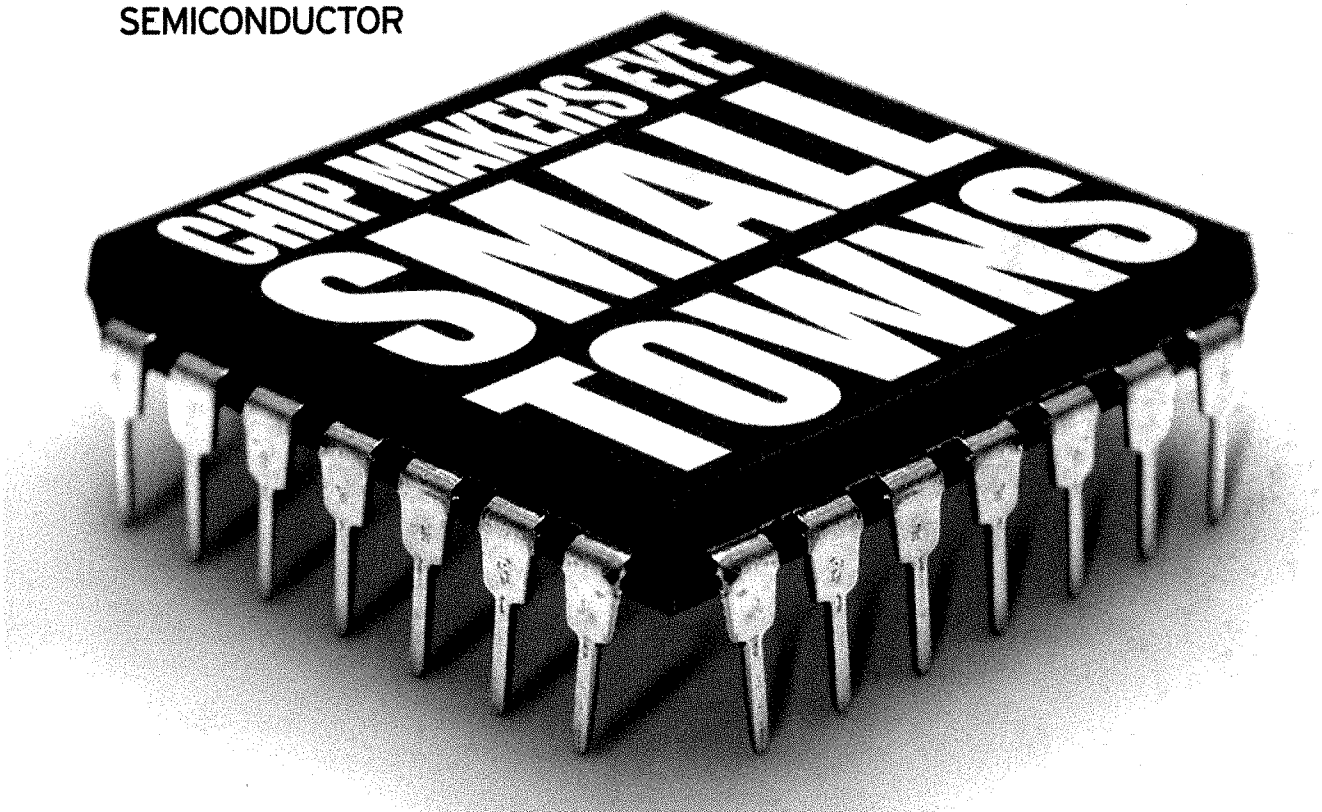


Recession-hit global chip makers are targeting the Indian hinterland as their next big market. RAHUL SACHITANAND

■ *Last year, AMD sold its graphical processors to diamond-cutters in Surat, which helped reduce both the 30-36 hours it takes and the Rs 40 it costs to cut and polish a diamond. The processors improved the efficiency of the computerised cutters, as well as the accuracy and finesse of cutting.*

■ *In Mysore, Freescale engineers helped Hexmoto launch an upgraded version of its Indverter power inverter that is 50 per cent smaller in size and costs Rs 20,000 compared to Rs 26,000 that it did earlier. Freescale engineers in collaboration with Hexmoto made a solar energy-driven motor that irrigates the fields during the day and lights up the village streets at night.*

■ *Up north in Ludhiana, Intel helped New Swan Autocomp implement a new 3D design technology using solutions embedded with Intel chips, which allowed New Swan to conceptualise and produce more complicated components. Another solution developed with Intel's partners halved New Swan's inventory lead time.*

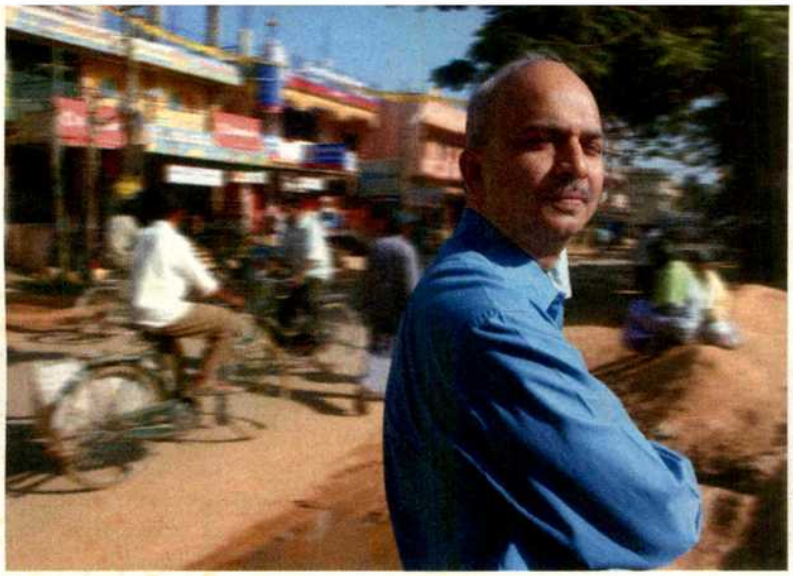
■ *Last year, Texas Instruments (TI) developed a solar lantern using LED (light emitting diodes) as the lighting source. It costs Rs 1.20 per day to operate compared to Rs 2 for a conventional kerosene option. Target: the 80-million plus Indians who have no access to electricity.*

■ *Engineers at NXP Semiconductor have developed a contact-less smart card solution, which will act as a villager's virtual bank, since most financial institutions often don't have a branch deep in the hinterland. Transactions will be facilitated by agents using phones with card readers.*

These are examples denoting a shift in the strategy of the chip makers who are now seeking growth in the untapped market in the Indian hinterland: the teeming numbers of small and mid-size businesses operating in Tier II and Tier III towns as well as the untouched rural market.

Take TI, the Dallas, Texas-based semiconductor giant, for instance. Back in 1984, the company caused a flutter in Bangalore, then a pensioner's paradise, when it opened a software centre and began sending back code—by shaky telephone lines—to its headquarters. Two-and-a-half decades later, TI's India presence has grown to over 1,200 people and it has graduated from being a nondescript office to being a critical chip design location. Now, TI is looking to extend its Indian presence, this time as a market and that too beyond the large metro cities. The company has set up a dozen offices in industrial hubs such as Coimbatore and Nashik to target what it says is the next big market for its chips—the Indian Hinterland.

While TI began prospecting for Indian customers three years ago, its success was limited to large com-



DEEPAK G. PAWAR/www.indiatodayimages.com

Biswadeep Mitra, President and MD, TI India

"This is not about a day trip from Bangalore, with a salesman parachuting into a customer premise, airdropping a solution and leaving"

panies in large cities. Now, TI—and many of its global rivals mentioned above—are taking the next big leap by eyeing customers in small towns making an assortment of industrial and consumer equipment including pumps, electronic ignitions, solar lanterns and diamond polishers. "We prefer to catch a wave early, rather than try to jump onto it when it's peaking," says Biswadeep 'Bobby' Mitra, President and Managing

A TALE OF WOE

- **The semiconductor industry** has shrunk globally for the second straight year.
- **Orders have** dried up as companies struggle to find new business.
- **Fabrication units** have shut while companies are seeing debt piling up.
- **To drive growth,** firms are rushing to tap emerging markets like India and China.
- **After tapping** big Indian companies, they're now eyeing smaller firms in small towns.

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DEEPAK G. PAWAR

Prakash Bagri
Director-Marketing, Intel India

"We have industry-specific solutions for CAD-CAM as well as tie-ups with industry-specific solution vendors in garments and machine tools"

Director, TI India.

So, how are TI & company selling their chips and solutions to the small town companies? TI for one is going direct setting up 12 sales offices in engineering hubs and using a hub-and-spoke model to foray further into the hinterland. Besides, they're leaning heavily on local partners and distributors to suss out new customers and industries for their products. "This is not about a day trip from Bangalore, with a salesman parachuting into a customer premise, airdropping a solution and leaving," says TI's Mitra.

Many companies in small town India also lean on the likes of TI and NXP to actually guide them by telling which chip or board to use, how to solve certain technical issues—signal to noise ratio for example—and providing a step-by-step blueprint for product development.

According to industry estimates, developing custom-made solutions usually take between six and 18 months to design, get customer approval and deliver. Initially, a team of engineers from Freescale, for instance, a local partner and the customer sit together and draw up a skeletal blueprint of what the product will look like, what technical features it will have and work out possible product costs. In the case of an inverter, for example, the product maker needs to decide how quickly the switch over will happen from mainline to back-up power, what the overall back-up time will be and how the heat and even sound can be kept down to a bare minimum. "New product specifications are shared by these customers and our field application engineers study them and suggest a viable chip to embed into them," says Freescale India's Sales Head Sanjeev Keskar. "This is followed by an often long-winded process of hardware schematics, customer approvals, software development and then production."

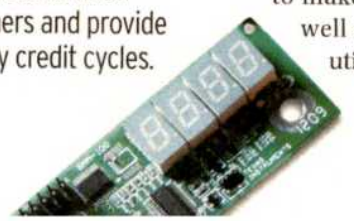
But things are not always as simple. Most small and medium enterprises (SMES) are notoriously tight-fisted and often haggle for lower rates or push for cheaper chips. "They demand a lot of attention and extensive technical support right from the design to the prototyping stage," says Padmanabha Gowda, India Head-Sales, Infineon Technologies. "We also need to connect them to the end-customer requirement."

Generally, selling to upcountry businesses needs patience. People often need help first arranging finance—for something as small as a LED-fitted solar lantern—and then want help getting customer references for their product line. This is where semiconductor firms lean heavily on local partners. For a company with even 10 offices in large Indian cities, there is little chance a company executive will have the same local knowledge as a partner.

But why are the local companies buying chips at all? Semiconductor makers say this has to do with many products getting "smarter" with chips embedded in them and many smaller companies getting exposed to the benefits of IT, both for improving efficiency and winning new customers. Given the poor state of electricity supply, some five million inverters are sold in India every year; there are some 22 million mom-and-pop retail stores in India and a small fraction of them use electronic weighing or cash machines. Overall, just 50 per cent of all SMES—most of them in upcountry India—use any type of computing at all. Then, previously passive products such as electricity meters are getting chips embedded in them to make them tamper-proof as well as connect to a remote utility office.

SMALL TOWN CHALLENGES

- **The semi-urban** and rural markets are potentially huge, but offer only wafer-thin margins.
- **Semiconductor** companies will need to sell massive volumes or unique, niche technology to make money.
- **Many potential customers** need financing to invest in IT.
- **Companies** need to know local customers and provide up to 120-day credit cycles.



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OPTIMIZING CONTACT

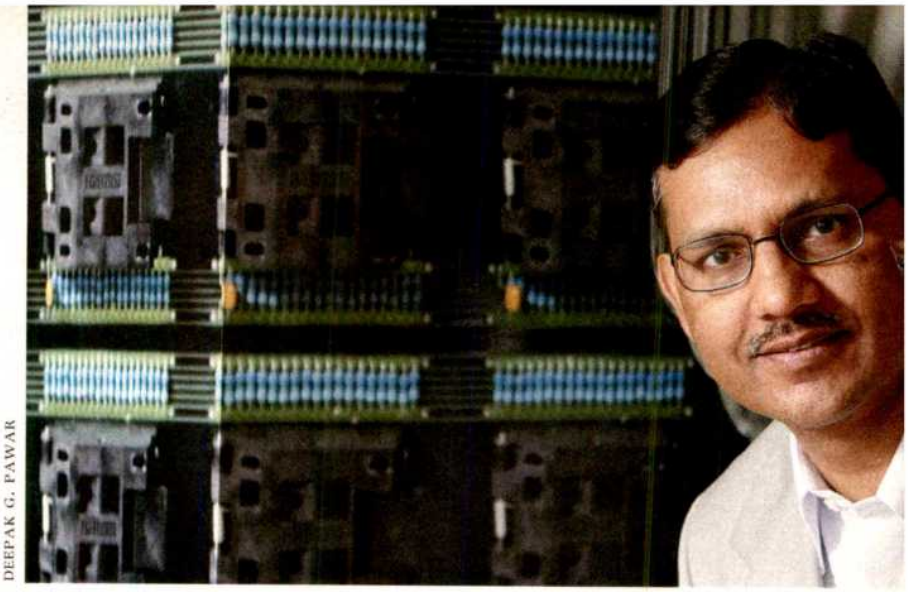
Those buying the chips are mostly the engineering and industrial goods industry and solar cells and power management systems. The market for solar power is growing as the subsidies provided by the government kick-in. While the 300 million-plus mobile phone market was the most obvious target market in India, there maybe life beyond that segment, too.

But these are challenging times for chip makers, who have been hit with the double whammy of a broad-based economic slowdown and a more specific oversupply in semiconductor manufacturing.

In fact, the global semiconductor market shrank by 20 per cent last year, according to industry analyst iSuppli, and is expected to struggle this year too. NXP's debt has piled up to $6 billion (Rs 28,800 crore); AMD has hived off its manufacturing arm and Freescale, Motorola's former semiconductor business, has jettisoned its loss-making mobile phone arm to stem the losses. Global semiconductor revenue is set to fall to $198.9 billion in 2009, down 23 per cent from $258.5 billion in 2008, according to iSuppli.

Within the global market, India is, as yet, a bit player with semiconductor sales of around $2.5-3 billion (Rs 12,000-14,400 crore). But it's India's long-term prospects that the global chip majors are betting on. "This market offers unique challenges in terms of access. There are fewer people, but a larger area, which is challenging and connectivity is yet limited," says Ashok Chandak, Senior Director, Global Sales & Marketing, NXP Semiconductor.

According to the 2001 Census, there are 781 cities with a population 100,000 or more in India, and going by even the most bullish claims, the semiconductor companies are only now beginning to mine this massive potential. They are pulling out the stops to target companies in these towns. "We have 30 solutions for storage, networking and financial accounting and industry-specific solutions for CAD-CAM as well as tie ups with industry-specific solution vendors in garments and machine tools," says Prakash Bagri, Director, Marketing, Intel India. Besides improving efficiency, he argues new technology can also help tight-fisted upcountry businesses net new customers. Intel, for one, claims to reach over 350 cities through partners and distributors.



DEEPAK G. PAWAR

Ashok Chandak
Senior Director, Global Sales & Marketing, NXP Semiconductor

"The Indian market offers unique challenges in terms of access. There are fewer people, but a larger area, which is challenging and connectivity is yet limited"

Clearly, the semiconductor companies hope to clamber on to the ongoing digitisation of the hinterland, with growing broadband (40-60 million connections depending whom you ask) penetration and increased spending on consumer electronics and other smart gadgets. "The Internet is the killer app," says Ram Kumar Subramanian, Vice President, Sales & Marketing, AMD India. "Access to information is now ubiquitous, so many of the old marketing paradigms around rural and urban markets may disappear."

Despite this bullishness, analysts say that there is still a long way to go for the semiconductor industry's latest game plan. They argue that while new segments such as industrial goods may offer immediate sales potential, its profitability could be limited. Already, margins for most goods are barely 4-5 per cent and the chips at the heart of these products could be a small fraction of this.

"The chip in a utility meter or inverter has very little value and margin for a semiconductor company," says Ganesh Ramamoorthy, Principal Analyst at technology researcher Gartner. "They need to be able to ship massive volumes to justify even a $10-million (Rs 480 crore) deal." Otherwise, they need to provide a technology edge—better power management, for example—to sneak ahead in a competitive and cluttered market. Then, there is the inevitable roll-on effect from the global slowdown, especially in sectors such as auto—and, therefore, auto components—which has halved the growth of the Indian semiconductor market.

Indians, however, spend just 10 cents per capita on electronic goods compared to Koreans who spend $2 (Rs 96). As electronics and IT gets cheaper and broadband proliferates, this number can only go up, say executives. Clearly, these companies are in the market for the long haul. ⊙

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GOODBYE TO GREED (but not to Good)

Wall Street may be coming back from the brink a year after it collapsed, but a clutch of one-time hotshot investment bankers has few regrets about bidding adieu to the greed-is-good culture to plough a new furrow. RACHNA M. KOPPIKAR

Till last September, Shruti Aggarwal, investment banker in the infrastructure group of Merrill Lynch Inc. in New York, was busy advising her clients on managing funding gaps and refinancing mortgages on which they had defaulted. As rival firms like Bear Stearns collapsed and UBS shut its infrastructure advisory group, Shruti's diary was choc-a-block with appointments with clients.

Around the same time, Rakesh Maini, a 23-year-old actuarial science graduate from New York University, was busy helping his senior portfolio managers at JP Morgan in New York bring down exposure to risky instruments, and convincing clients such as endowment funds that their money was safe with JP Morgan. It was a nerve-wracking period as Rakesh couldn't afford to make any mistakes in punching trade orders of clients. It wasn't, after all, a time to make mistakes.

Cut to September 2009. If you think Shruti is still burning rubber on Wall Street, well that's not quite the case. Instead, she's busy these days strolling on Fifth Avenue, checking out the latest fashion trends and swimwear brands. That's because yesterday's I-banker has turned entrepreneur: Shruti has launched an online swimwear store, Secret Cache, which supplies to premium hotels in India. As for Rakesh, he's thousands of miles away from the boroughs of New York, ensconced in a suburb in Mumbai. From the testosterone-fuelled air of Wall Street, Rakesh is now in a calmer zone—he's a class teacher at Umedbhai Patel English school and his day starts with preparing lectures for 30-odd kids. He took up a fellowship with the two-year-old Teach for India initiative started by promoters of the Akanksha Foundation, a non-profit organisation that works with less-privileged children.

Wall Street may have begun shaking off the past year's blues, but for I-bankers like Shruti and Rakesh—and a score of others, the hurly-burly of financial markets is for all purposes baggage of the past. The burial of that baggage has been quick, and the move-on even quicker. Till only a couple of years ago, these whiz kids, armed with degrees from some of the best colleges in the US, set out to work with marquee names such as

Why They've Hung Up Their Pinstripes

- Disillusioned after last year's bust-up on Wall Street.
- The credit crisis led to deep introspection about their career goals.
- Eagerness to give back to society.
- Jobs in I-banking have become scarce.
- An opportune time to start out on one's own.

PEDRO GIL

Shruti Aggarwal, 29

EDUCATION
Chartered Accountant and alumnus of Columbia University

LAST JOB
Investment banker for the infrastructure group of Merrill Lynch Inc. in the US

CURRENT PROFILE
Started Secret Cache, a swimwear brand that's targeted at the Indian market

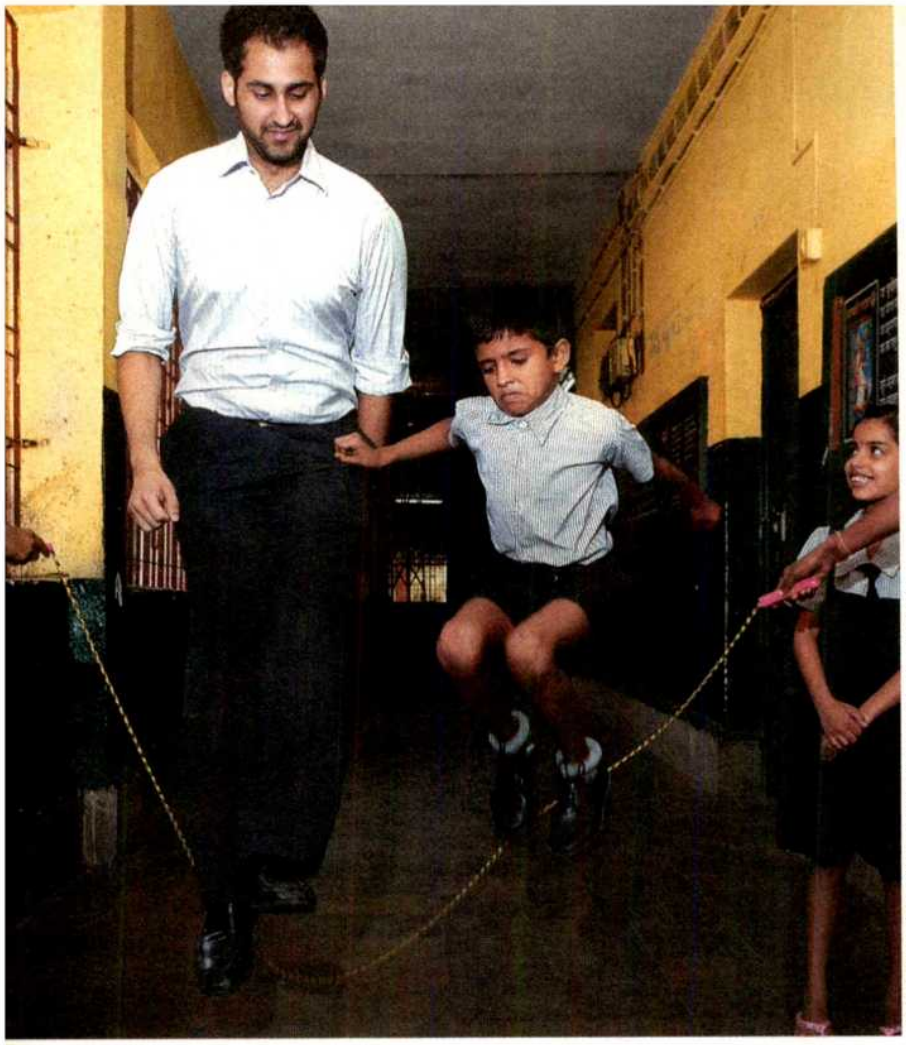
REASON FOR SWITCHING STREAMS
"While seeing what's happening to my friends around and in the industry, I thought it was time I decided if I really wanted to stay back in the industry. I saw a huge gap in the demand and supply of quality swimwear in India and that's how Secret Cache was born"

JP Morgan, Citibank and Merrill Lynch. Some joined amidst the bull run of 2007 and experienced the adrenalin rush of closing deals and making high-risk investments in fixed income markets. Fat pay checks and bonuses were the order of the day.

Then came the pain. As the sub-prime crisis took its toll and banks began falling like ninepins, the magic of Wall Street disappeared almost overnight. Dreams of glorious careers evaporated, as friends lost jobs, and their families drowned in debt. Wall Street suddenly wasn't a great place to be on anymore.

India was—relatively. Shielded by a minimal exposure to the credit crisis and a still robust domestic consumption story, India beckoned. Along with Shruti and Rakesh, also headed home were Nikhil Lalwani and Rasika Sridhar, both of whom studied in the US and worked for Citibank in different functions. Interestingly, Nikhil and Rasika aren't chasing the big bucks anymore—rather than sniffing for those much-bandied-about green shoots, these 20-somethings have chosen to be at the grassroots.

For 26-year-old Nikhil, the view from the Citibank office in downtown Manhattan was quite different from what he now sees from his office in Dadar, a central Mumbai area. After working in the internal strategy team for capital markets, banking, custodian and fund services group of Citi, he joined the Mumbai Public School (MPS) programme, a partnership between Hyderabad-based Naandi Foundation and Brihanmumbai Municipal Corporation (BMC), in July this year. Under this programme, 25 English medium government schools in Mumbai are being run as a public-private partnership. From making client presentations, devising a framework for targeting mid-sized corporates as clients for Citibank, Nikhil's job these days is to devise teaching methods, roll out new syllabi, monitor the



UMESH GOSWAMI/www.indiatodayimages.com

facilitators in the classroom, and ensure parent-teacher interactions at regular intervals. Above all, he is learning tactful ways to convince the government school officials about MPS's newer initiatives for the schools.

Even though his day starts as early as 6.30 a.m. with a visit to the school in Ghatkopar, brainstorming session with teachers and then strategy planning and curriculum planning happen in the later part of the day, Nikhil believes that he is putting to use the skills he acquired at Citigroup. "I manage to put to use the skills I acquired at Citigroup," says Nikhil, as he shows this writer pictures of the school kids on his I-phone.

Rasika Sridhar, 24, who was a strategy and planning analyst for the CFO's team at Citibank, couldn't agree more. She quit Citi in May to work in the Delhi office of the international charity fund, Absolute Returns for Kids (ARK), which is funded and managed by a bunch of alternative asset class fund (or hedge fund) managers. The funds are deployed for betterment of children and education about diseases like HIV/AIDS. Rasika's current role at ARK requires her to undertake strategic and business planning, devise new programmes for government schools in Delhi and allocate resources for the new programmes. Clearly, the skills picked up at Citi are coming in handy. "Besides strategic and business planning, devising new programmes for government schools in Delhi and allocating resources for the new programmes, I am honing up my interpersonal and negotiation skills at ARK," beams Rasika.

Along with the I-banking learnings, the memories of the previous year's turbulence on Wall Street also linger. And that may have a lot to do with the decision of these youngsters to make such radical switches. "Those who witnessed the Great Depression in the US saw their attitude towards risk change forever. The same thing might have happened to today's younger generation, which has seen this crisis so closely," explains Rakesh.

The credit crisis certainly left an indelible mark on Rakesh—a mark enduring enough to make him not just hop on the next flight to India but also to look beyond greed and do something 'good.' To be sure, Rakesh joined up with JP Morgan's fixed income practice in 2006 with the gung-ho-capitalist belief that "greed is good" deeply embedded in his psyche. Rakesh had in fact grown up walking the I-banking talk—his father is a UAE-based investment banker, and Rakesh was keen to fit into his illustrious pinstripes. For three years at JP Morgan, his job was to support investment decisions of senior portfolio managers of large institutional fixed income funds of JP Morgan, and make investments in all kinds of fixed income bonds. When the subprime mess spread like a tide, Maini's learning curve became shorter. After Lehman Brothers collapsed, the job became rigorous as his division had to reassure institutional clients, keep a close watch on the bond yields and look at every investment at the fun-

Nikhil Lalwani, 26

EDUCATION
BA honours in Economics & Management, Ohio Wesleyan University

LAST JOB
Internal strategy and fund services division of Citigroup in US

CURRENT PROFILE
Associated with the Hyderabad-based Naandi Foundation's Mumbai Public School (MPS) programme

REASON FOR SWITCHING STREAMS:
"I was pursuing teaching in an informal way in the US along with my job. But the slowdown kind of helped me in deciding about picking up education on a full-time basis"

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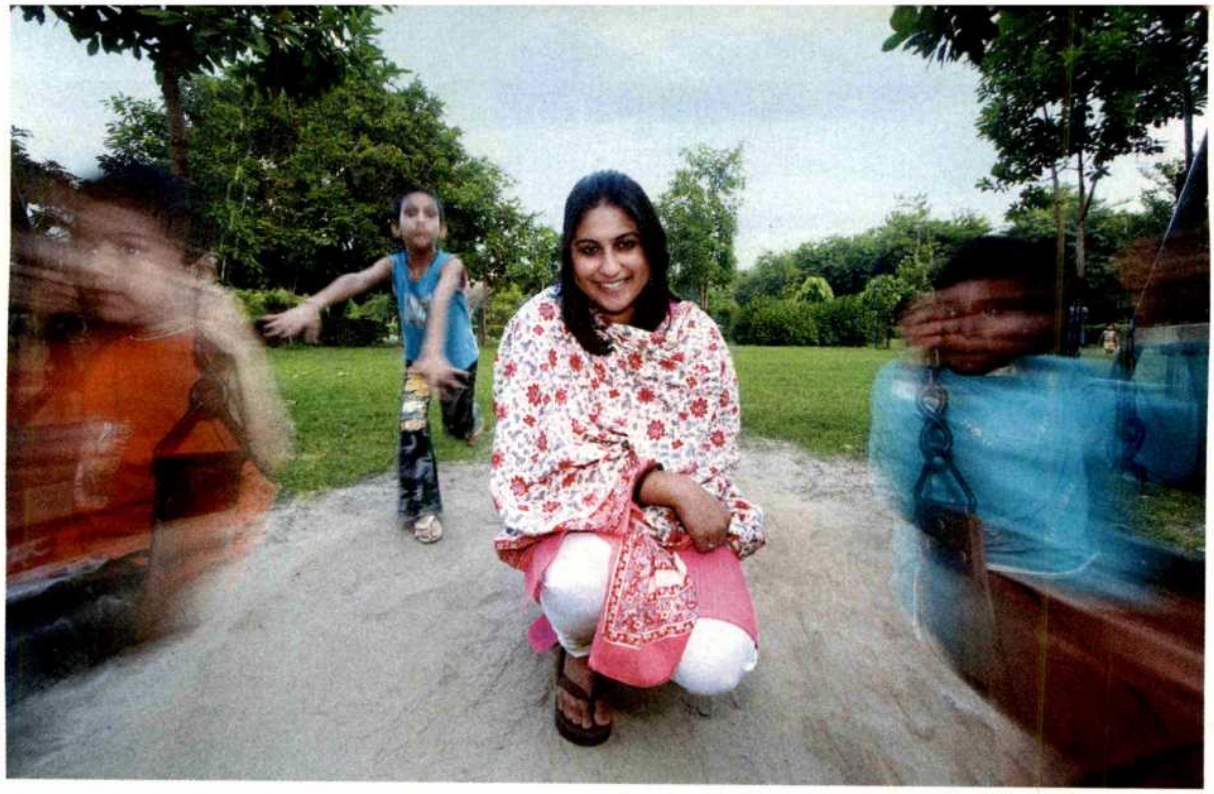

SATISH KAUSHIK

damental level. His seniors who had spent more than a decade in the industry would often tell him that he was lucky to learn from this crisis in such a short career. By then Rakesh had seen—and learnt —enough.

Today, Rakesh jokes that managing a classroom of 30 school kids is a cakewalk when compared to being in a boardroom with 30 head honchos. His American accent proves to be a disadvantage at times, but he is slowly picking up Hindi and Marathi. He feels content when the kids in school start speaking in English. Apart from teaching, he is also undertaking a computerisation process for report cards and an attendance system in the school.

The NGOs, for their part, couldn't ask for anything more than such an influx of talent. And it's not just former I-bankers who are joining up. Teach for India has enrolled 87 such professionals from different backgrounds to take up a two-year fellowship program. Shaheen Mistri, CEO, Teach for India, says that a set-up like hers has become professional, which makes it easier to attract talent from the corporate field. A strategic and policy-making mindset and a passion is what professionals like Rakesh bring to the table, she adds.

Rasika Sridhar, 24

EDUCATION
BA (honours) in Accounting and Management, Ohio Wesleyan Univ.

LAST JOB
In the CFO's team at Citigroup New York

CURRENT PROFILE
With an international NGO called Absolute Return for Kids based in Delhi

REASON FOR SWITCHING STREAMS:
"While I was preparing myself to take the plunge into the education sector for a year, the crisis just made it easier to introspect and take the decision faster"

For people like Mistri—and many of the financial services professionals she is attracting—the credit crisis wasn't such a bad thing to have happened. In fact, those who have been able to spread their wings into newer areas would have few regrets. For instance, former I-banker at Merrill Lynch, Shruti, a chartered accountant and alumnus of Columbia University, found an opportunity in the crisis to nurture her entrepreneurial ambitions. This happened three months after Lehman Brothers collapsed and Merrill Lynch was taken over by Bank of America. The idea of Secret Cache struck when she came to India for a beach wedding and had to hunt far and wide for swimwear brands. Secret Cache has tied up with a large hotel chain in India, sells around 21 swimwear brands and takes orders from retail clients in India. "The recession worked in my favour as a lot of these brands witnessed a fall in sales and were therefore willing to listen to my story," says Shruti.

Yet, as the global economy slowly but surely heads towards recovery, there's always that lurking possibility of these high-fliers of yesterday being lured back by the big bucks. Sceptics also point out that an NGO stint looks good on CVs when these young folk head back to the financial markets. Nikhil sees himself working in the Indian development sector in the long haul but if he has to go back, he'd rather go back to Wall Street than work in a similar Indian set-up! Adds E. Balaji, CEO of headhunting firm Ma Foi Management Consultants: "The initial kneejerk reaction to quit the profession when Lehman Brothers went bankrupt has gone now." Still, for those who did find their calling during the credit crisis, a recovery in financial markets may not seem as attractive and alluring anymore. ⊙

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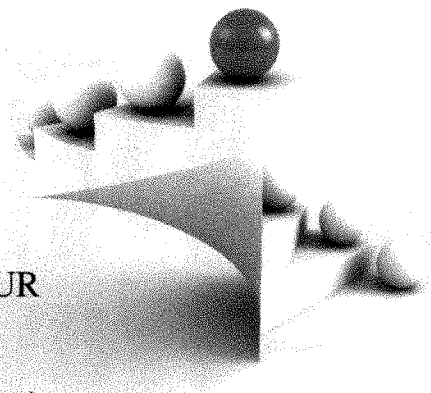

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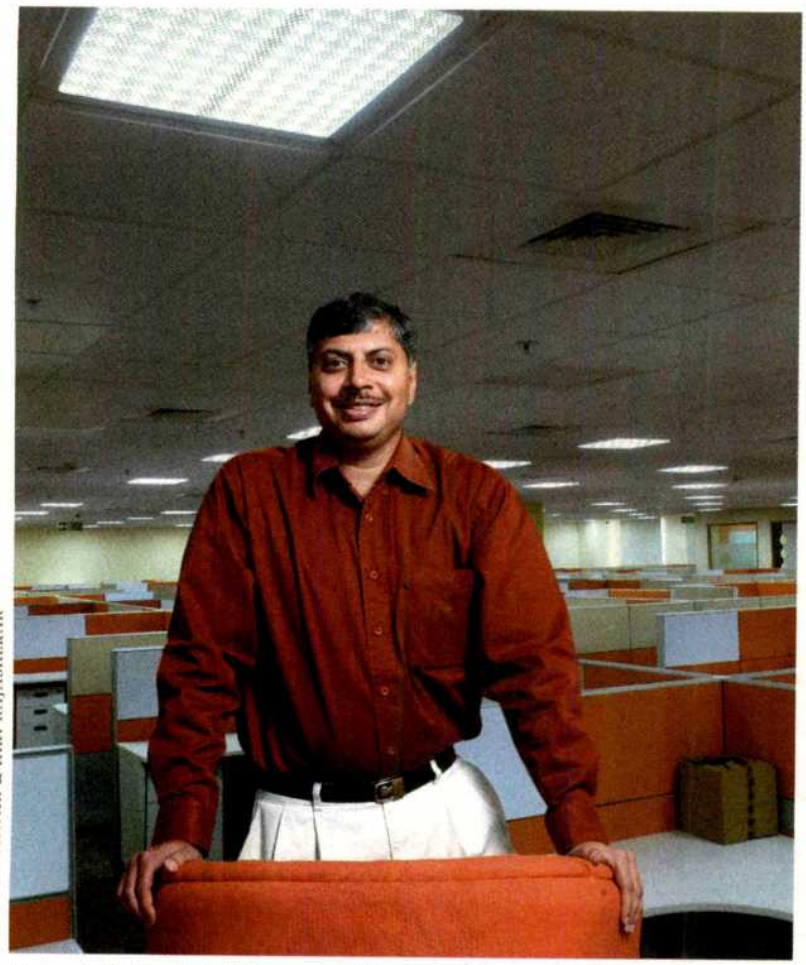
LEDing The Way

iGATE has shown the world that LED lighting can be used to illuminate office space. Others are beginning to follow suit.

NITYA VARADARAJAN



DEEPAK G. PAWAR & H.K. RAJASHEKAR

"I made it clear that there would be no pulling out of the project at any cost and LED would have to be implemented" PHANEESH MURTHY, CEO, iGATE

The idea first came to him while he was watching television at home. Phaneesh Murthy, CEO, iGATE Corporation, noticed that LED TVs had brighter and whiter light but consumed less energy. This thought led him down a path to do something that probably no one else in the world has dared—use light-emitting diodes (LED) to light the office space and conserve energy. Once convinced it was possible, Murthy moved quickly and invested Rs 37 lakh to light 57,000 sq. ft of office space at iGATE's new development centre inside the DLF SEZ at Manapakkam, Chennai. The benefit: reduction in carbon emission by 78 tonnes annually!

Though LED has been used to backlight flat televisions, digital advertising hoardings, street/passage lightings and in basement car parks, it has not yet been considered for office lighting on a global scale. Says Ashok Shah, Chief Technology Officer, Illumitron International Inc., which engineers LED solutions: "At best...there are a few office floors in Korea and Japan which are LED-lit but none the size of iGATE."

"When technology has come into the living room, I thought that we should implement it as part of our Project Green, in our offices," says Murthy. "After all, we complain so much about lack of power, but we lack the determination to do our bit to bring down power consumption."

Teething Problems

Being a first mover, Murthy did face many challenges. "We experimented on the solution for one year. We put up some panels, evaluated the effect. There were many failures and delays. At times I had misgivings on account of the time the experimentation was taking. The international environment and Indian environment are completely different. Problems crop up because of voltage cycles and even dust," explains Murthy. But the delays did not deter him. "I made it clear

that there would be no pulling out of the project at any cost and that LED would have to be implemented," he says, underscoring the importance of the top management's involvement in such initiatives.

The lighting project is not the only way that Murthy will reduce his company's carbon footprint. Air-conditioners account for about 50 per cent of power consumption in iGATE offices, so the company has connected employees' entry cards to the cooling system. The cards "activate the air-conditioners only in the sector they work and only after they walk in", he says. "LED usage will help optimise this as the light is 'cool' and dissipates lesser heat." While AC requirements are down by 11 to 12 per cent, the load will come down further because of LED by 4-5 per cent.

While LED is environmentally beneficial, it's also costly (especially up front). Typically, a 15-watt LED tubelight can replace the 4-ft. 40-watt tubelight, but a LED tubelight would cost Rs 2,000-3,000 against Rs 50-100 for the ordinary one. However, prices are bound to move southwards soon as LED production has been given a major fillip in countries such as Taiwan, USA and Japan. About two years down the line, prices would be far more affordable with economies of scale, says Kumar Ramachandran, CEO, Vignani Technologies, which implemented the LED lighting at iGATE's Chennai facility.

Experts say that LED may not be the best bet for retrofits, owing to capital costs incurred for the original fixture and again for the replacement, unless a company is bent on growing green. Murthy says his company will watch how the LED systems work for 3-6 months then retrofit its existing facilities—Bangalore (4,60,000 sq. ft), Hyderabad (1,00,000 sq. ft), Chennai (50,000 sq. ft), and Noida (70,000 sq. ft). The overall cost is likely to be around Rs 3.5 crore.

THE PAYOFF

	TUBELIGHT*	CFL	LED
Initial Cost Rs Lakh	2	1.7	3.3
Operational Cost* Bulbs, Chokes, Labour Rs Lakh	1	0.7	0
Energy Cost* @ Rs 7/KWh in Rs Lakh	9	5.7	2
Energy Consumption in KWh*	1,04,700	82,303	29,795
Total Lighting Cost in Rs Lakh*	12	8.1	5.3

* 5 yearly +T8

● LED gives out 63.8 per cent and 76.8 per cent less carbon emissions than CFL and tube lighting respectively over five years.

● Total energy savings from LED is 63.8 per cent more than CFL and 71.5 per cent more than tube lighting over five years.

Figures assume that a 5,000 sq. ft office would require the use of 56 CFL 2x2 grid lights, or 90 tube lights, or 45 LED lights. Additionally, it will also need 15 CFL down lights, or 15 tube lights, or 11 LED lights.

Source: Vignani Technologies

Another problem with LED technology is its highly pointed nature of lighting. Explains C.B. Raghunandan, GM (Operations), Wipro: "One is not all that comfortable while reading or working under an LED lamp. Just below the lamp the lumination is good but a few feet away the light is bad. It has to be effectively diffused." But not many in the world have the required technology to make sure the lighting works well in an office setting. "LED is not a light that can just replace another light—it is a technology by itself, which is evolving and needs to be perfected over time," says Ramachandran.

Increasing Viability

LED lighting is expensive up front, but in the long-term, Murthy and others like him anticipate a real financial payback apart from the environmental impact. iGATE is expecting a payback in just 30 months. It is using just 17 kilowatts to light the entire facility as against 57 kilowatts required for either CFL or tubelighting. According to Ramachandran, "For a 2,000-fixture LED-lit facility (like that of iGATE in Chennai) working 72 hours a week, the energy savings a year would be Rs 25 lakh and even considering an incremental initial cost, the payback period is 2.5 years."

The LED lights also last longer than CFL or tubelighting, according to Wipro's Raghunandan: "The life of an LED lamp is 5 years, and 2-3 years more than a conventional lamp." In the future, companies won't have to spend so much money replacing lamps as they do with traditional lighting, and Raghunandan predicts that prices will fall as the technology develops.

Others are indeed taking to LED lighting slowly but steadily. Set up last year, Wipro's Eco Energy Division, which offers holistic lighting solutions, already serves more than half a dozen clients. Wipro, which so far has used LED lighting only in the garden and basement at a few of its campuses, plans to use it extensively at upcoming and future software centres. Others like IIT Madras' IC&SR building had its CFL passage light replaced with LED apart from its sodium vapour street lamps. Velan Hospital at Karur in Tamil Nadu is also going for an LED lighting solution for 10,000 sq. ft of space.

Murthy is also moving this technology forward into iGATE's future spaces. He is all set to inaugurate a new development facility in Bangalore next month complete with LED lighting (inside, outside and basement). In fact, the facility will be one notch greener than Chennai as its 2,10,000 sq. ft of underground parking and 1,14,000 sq. ft of working area will not only be lit by LED lights but also powered by solar energy. ⊙

WITH INPUTS FROM K.R. BALASUBRAMANYAM

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Job portals explore new platforms to expand their footprint.

With the job market severely hit during the downturn and the number of jobs dwindling, job portals are discovering newer routes to grow. And if recent initiatives are any indication, the war to capture marketshare in still lukewarm job market is set to intensify.

Market leader *naukri.com* has rolled out a pilot on *twitter.com* where it hopes to build groups around job categories across functions like HR, marketing, IT or even Java. Though company COO & Director Hitesh Oberoi says it's too early to comment on it (Twitter initiative), it's ready with more initiatives. One such platform is its job portal *firstnaukri.com* aimed only at freshers. The idea is to create a product for campus. Says Oberoi: "There was a gap in the market in terms of a platform that connects students and companies. Most of the current portals are used for lateral hiring."

When Monster India along with ITC e-Choupal launched a job portal targeted at the rural markets in August, it was hoping to get at least 50-odd jobs live in the first couple of weeks. Less than a month into the rollout, the portal—*rozgarduniya.com*—has more than 1,207 live jobs from 52 companies.

In hindsight, Sanjay Modi, MD, Monster India, underestimated his targets. That's because with telecom, FMCG, banking, among others, clamouring for a slice of the rural market, rural jobs are the flavour of the season. Monster is targeting 40,000 villages across nine states where e-Choupal has its network. Says Modi: "Monster and ITC have been working on the project for the last 12 months. We implanted the portal on ITC e-Choupal since a community is already built around the platform."

Before going rural, Monster had set its sight on 5.5 million DTH households across the country when it launched job search called "MonsterJobs Active" on DTH platform in tie-up with Dish TV. The job-related data existing on the portal is made available on TV. Through a menu-enabled platform, seekers can view jobs on their television screens and can apply for jobs on the portal. Modi claims 1,000-1,200 jobs go live every day on the platform, which was launched in July 2009. Next on his agenda is a mobile offering on a new technology platform.

By their own admission, job portals have not seen any surge in the number of jobseekers reaching out to them in the slowdown. Contrast this with the 150-200 per cent increase that placement firms have recorded in the last one year with jobseekers preferring targeted hiring opportunities instead of relying on job portals. According to Hastha Krishnan, CEO, Ma Foi Global Search Services, recruitment and placement firms are facing a problem of plenty at a time when volume hiring is not happening. Little surprise then, portals are wooing with an array of new platforms. ⊙

SAUMYA BHATTACHARYA

"With telecom, FMCG, banking, among others, clamouring for a slice of the rural market, rural jobs are the flavour of the season"

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Hewlett Packard
Dir Systems/Software Engr II
Location: Bangalore
Job ID: 7387550
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Wipro BPO
Assistant Vice President
Location: Chennai
Job ID: 7375235
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SIEMENS
Sr. Manager - Manufacturing & Logistics
Location: Aurangabad
Job ID: 7439911
Description: Person must have experience in energy / power / Transmission related industries, vendor development, purchasing warehouse, facility management; SAP knowledge on MRP module.

Dell
Process Improvement Manager
Location: Bangalore
Job ID: 7417609
Description: Person must be six sigma black/ green belt certified; should have experience in running process improvement initiatives in the sales; excellent mentoring & matrix management skills.

Mastek
Head of Technology Cell
Location: Mumbai
Job ID: 7408596
Description: Job holder must have understanding of wide technical domain (BI Integration, App Servers); ability to build a strong, innovative technology team, manage financial aspects.

Yahoo Software Development India Pvt Ltd
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Location: Bangalore
Job ID: 7387878
Description: He/She must have done B.E/ B.Tech/ M.S. in CS; exp in building & leading teams, managing software development projects; ability to establish measurable metrics & drive improvements.

EMC Corporation
Consultant Software Engineer
Location: Bangalore
Job ID: 6992648
Description: Incumbent must have masters/ doctoral degree in CS; developing distributed applications; knowledge of various protocols memory & disk I/O management, OLAP C++.

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Job ID: 7417893
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TATA Consultancy Services Ltd.
Solution Architect
Location: Delhi
Job ID: 7231847
Description: Candidate must have expert level Adobe Flash framework, Flex Builder design skills; exp. with J2EE development using MVC / spring frameworks, Action Script 2.0, DHTML, AJAX etc.

Accenture Services Pvt. Ltd
SAP SD
Location: Bangalore & Gurgaon
Job ID: 5962593
Description: Required full time grads in any discipline with 3 to 10 yrs of technology experience, hands-on in managing teams across project work streams such as mySAP business suite and Industry Solutions.

New Horizons India Ltd
Software Engineer/ Programmer
Location: Gurgaon & Noida
Job ID: 7397780
Description: Aspirants must have 1-6 years experience as a I-Phone Developer/ Engineer/ Programmer/Testing and good communication skills.

Mila Software
Systems Architect - Java
Location: Hyderabad
Job ID: 7351183
Description: Required Systems Architect with hands-on exp who will play a lead role in design of internet scale distributed architecture using Java EE, XML/web services, EAI technologies.

Cognizant Technology Solutions Pvt Ltd
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Job ID: 7427156
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Virtusa (India) Pvt Limited
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Job ID: 7414826
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Dell
FP&A- Finance Advisor
Location: Bangalore
Job ID: 7410889
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3i Infotech Limited
Accounts Payable- Executive
Location: Chennai
Job ID: 7419458
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Location: Bangalore
Job ID: 7406015
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Location: Hyderabad
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Interest Rate Hike Not Before Next Year

The hikes will be more an attempt to cycle back to normalisation. We, thus, expect 75 BPS increase in both the repo and reverse repo rates in FY11.

The meetings of G20 Finance Ministers delivered a unified message. It was unanimously agreed that stimulus injected (read interest rate cuts, liquidity injection and additional expenditure) will be retained until an economic recovery is secured. As Asian economies like India are expected to bounce back sooner than their western counterparts on structural advantages, "exit strategies" or withdrawal of the stimulus measures will, thus, come first to this side of the world.

Undoubtedly, interest rates in India, too, have bottomed out. Here, the key debate is on the timing of the roll-back of expansionary policies. The decision would depend on evolving dynamics of inflation and growth domestically against a broader global backdrop. Unlike last October, when growth and monetary stability was a clear priority over inflation, the policy choice this time is trickier and tougher. Any premature withdrawal can blow out the gains achieved so far.

RAMEN SARKAR

Inflation is back to haunt us again. The weekly negative print is of little solace as the common man continues to pay higher prices. This is also evident in the monthly CPI double-digit prints. With less than normal monsoons, it is clear that prices will remain at elevated levels in the future. In fact, inflation is steadily on its way to cross the Central bank's comfort zone by the end of 2009.

More risks exist should global commodity prices inch up further. Abundant liquidity in the money market and expectations of such flush conditions prevailing against a backdrop of a run-up in the asset markets (Sensex up by 100 per cent since March) can fan inflationary expectations. Though this upsurge in inflation is unlikely to be a demand-pull variety as domestic growth is still in its nascent stage, managing inflationary expectations is important for the Central bank for price stability in the medium term. Hence a case for a rate rise and withdrawal of liquidity does exist.

Although incipient signs of a recovery, especially in the industrial sector, have partially restored confidence, domestic developments have marred the overall growth prospect. Specifically, drought-related uncertainties and sluggish growth in domestic demand have increased the downside risks to growth. Should the monsoons turn weaker, impinging adversely on winter crops, too, rural consumption spends, which contribute 33-36 per cent of overall GDP, will be impacted.

We believe that the Central bank will wait for inflation to surpass its comfort zone (not expected before 2009 end) before withdrawing liquidity enhancing measures. Several uncertainties on the domestic and external front still act as strong headwinds and the Central bank will not likely to introduce another uncertainty in the form of volatile liquidity conditions. Any hikes in policy rates, in our view, would wait till Q1 FY11 when recovery process is more firmly entrenched. However, even then, aggressive hikes are not expected as growth, though better, will still be away from its potential. The hikes will be more an attempt to cycle back to normalisation. We, thus, expect 75 BPS increase in both the repo and reverse repo rates in FY11.

In a nutshell, the classic Central bank dilemma is back again as supply-side inflationary pressures queer the pitch and markets are once again headed for interesting times. ⊙

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GST: The Next Big Step

"To accomplish great things, we must dream as well as act"—**Anatole France** (1844-1924)

Anatole France was probably not thinking about implementing GST in India when he made that observation, but he couldn't have said it better, if he had been. We have about six months to go for the most momentous tax reform in the history of independent India. Will it happen by April 1, 2010, or even by the second half of 2010? Well, let's see what steps need to be completed by then.

To make this happen, the Empowered Committee needs to finalise the design of GST immediately, so that the bill for constitutional amendment can be placed before Parliament at the earliest, perhaps as soon as the winter session starts later this year. The design of GST requires a decision on a number of critical aspects. Among these, the most complex are the tax rates (both at the Centre and at the state level), the services that the states would be empowered to tax and the "place of supply rules".

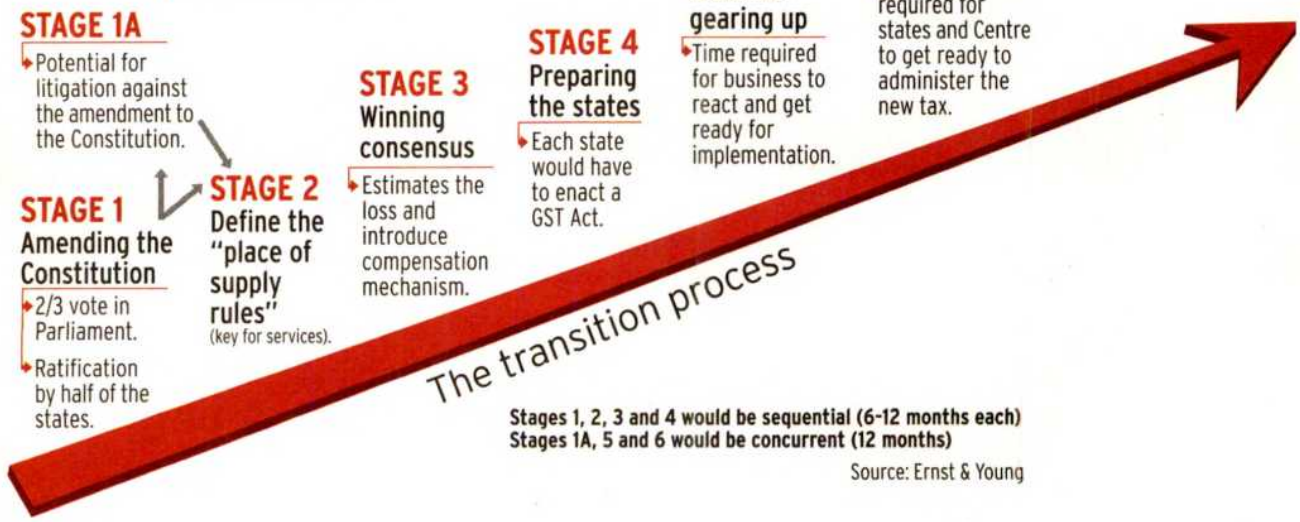
All these issues are critical and complex and need considerable deliberation. Deciding on the tax rates—the rate at which the Centre and the states would levy GST on all transactions—is the most simple conceptually, but probably the most contentious, with all the states on one side and the Centre on the other. One cannot imagine this being decided within a time frame of 1-2 months.

Deciding on the tax rates is the most simple conceptually, but probably the most contentious, with all the states on one side and the Centre on the other.

Where do we stand today? Stage-Zero

- No GST
- Multistage taxation
- Complex
- Not conducive to growth

GST Implementation



Stages 1, 2, 3 and 4 would be sequential (6-12 months each)
Stages 1A, 5 and 6 would be concurrent (12 months)

Source: Ernst & Young

The creation of a pearl inside an oyster is a miracle of nature. Taking a cue from this lustrous evolution, IMI nurtures and transforms its students, empowering them to gain leverage in the future.

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Perfect10

Secondly, what are "place of supply rules"? Quite simply, these are a set of rules that apportion the right to tax services among the states, and set out clearly the factors that determine which state will have the right to tax a given service.

For example, deciding the place of supply is clearly required for the services that have a cross-border implication (such as telecommunication, railways and so on). Even for services of a local nature (such as health and fitness services, hotels and restaurants, and so on) the "place of supply rules" will have to provide which state can collect the tax. Conventionally, in such cases the state where such services are performed would be empowered to tax the service. However, these services can also have cross-border implications. A membership programme from a fitness centre can allow the members access to its branches across the country. Similarly, some restaurants have loyalty programmes where they collect a fixed amount at the beginning of the year, which gives their members benefits at all participating restaurants in India through the year. Thus, unless a comprehensive central legislation with place of supply rules for services is in place, there could be overlapping and multiple claims for taxation of the same service from more than one state.

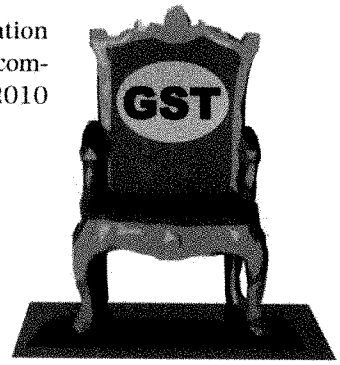
In the past, when similar problems were faced with respect to taxation of goods by states, the Constitution was amended and Parliament was empowered to lay down the principles that determined the site of sale/purchase of goods. Consequently, the Central Sales Tax Act was enacted to lay down the place of supply rules for goods.

The exercise of amending the Constitution (for empowering the states to tax local services and the Centre to lay down the place of supply rules for such services) is a complex process. Such amendment not only needs support from the majority of the members of both the Houses of Parliament, but also requires acceptance by at least two-third of the members present and voting. In addition, it will also need ratification by at least half of the states. Given the current political scenario, both at the Centre and the state level, the task of bringing through the constitutional amendments required in a short time is not easy, to put it mildly.

After the constitutional amendment, all the states would need to enact their own GST law so as to levy tax on goods and the prescribed services. This kind of legislative action by the states would be at least as burdensome as enactment of Value Added Tax (VAT) laws for which states took five years, i.e., from 2003 (Haryana VAT) to 2008 (Uttar Pradesh VAT).

Thus, the path to GST implementation is long and winding and as of now the complete implementation of GST by April 2010 seems unlikely.

Even if GST is implemented over a much longer timeframe than April 2010, this would by no means represent a failure of the government.



RAMEN SARKAR

Instead, April 2010 could be the time when the actual implementation of GST would start. As the states will take time to enact their own GST law, the implementation is likely to take place in a phased manner.

Even if GST is implemented over a much longer timeframe than April 2010, this would by no means represent a failure of the government to deliver on a much-repeated commitment. The issues mentioned above are complex and have far-reaching implications. Therefore, stakeholders will lobby hard to ensure that their interests are fairly represented. Building a consensus will take considerable time, patience and outstanding political leadership.

If it is done right, the end result will provide a massive boost to Indian industry and be well worth the wait. ⊙

The views expressed in the column are personal views of the author, with inputs from Ernst & Young

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BIRLA INSTITUTE OF MANAGEMENT TECHNOLOGY

UNIQUE SECTORAL PROGRAMMES IN BUSINESS EDUCATION

Birla Institute of Management Technology (BIMTECH), Greater Noida belonging to B.K. Birla Group, has been one of the fastest growing private Sector B-Schools of India. Director, Dr H Chaturvedi shares his vision and future goals for the institute.

Dr H Chaturvedi
DIRECTOR

Why Indian B-Schools are unable to compete globally? [Out of the top 100 B-Schools ranking at world level hardly any Indian B-Schools is included].

Business education in India formally has been introduced some 50 years ago. Indian education system, being replicated that of UK, emphasized more on teaching than that on research. The present global ranking methodologies have certain variables which are missed out by the Indian business schools, even by IIMs. Being aware about the growing realization in leading Indian B'schools about these variables, I am speculating on few Indian business schools getting in the list by 2012 in this league.

Only 23% or so MBAs are employable by the corporate sector according to Meritrack Survey. What should be done to improve this dismal quality scenario of management education in India?

The main reason for poor employability of Indian MBAs is the poor linkages between the industry and B-Schools. Both the industry and B-Schools have not paid sufficient attention on it. Let industry bodies like CII, FICCI, ASSOCHAM and regulations like AICTE and UGC should form a national forum for this purpose. The message should go that producing good quality MBAs are the joing responsibility of both industry and B-Schools.

Prime Minister Dr Manmohan Singh has talked about inclusive growth in various forums including ISB, Hyderabad. Do you think management education in India is serving needs of those people who are at the bottom of the pyramid?

It is not only in the business education but also the complete higher education not recognizing the need of managing of inclusive growth. There have been some recent trend both in industry and business education whch are encouraging and supporting to the inclusive growth in the economy.

The 'MBA degree has lost its shining worldwide'. Do you agree with this proposition?

I am of the view that it is not the degree which is gaining or losing the importance, it is the institutions which are making the fate of the participants in a particular degree. Currently there are more opportunities of this degree than it has ever been due to growth in the economy worldwide.

Do you think sectoral MBAs have any future in India?

Yes, I think future lies in the domain knowledge specialization. Our economy is growing very fast and demands specific skills and knowledge set on the functional and leadership positions. The core functional performance and understanding of insurance, retail, biotechnology etc. can not be immediately expected from a generic degree in management. We at BIMTECH, could frame and develop both at Master's level and became first in the country to start post-graduate programmes in insurance and retailing. The tourism, media, entertainment, aviation, NGO, real estate etc. are few more very promising sectors which will demand a very specific professional requirements.

BIMTECH has been one of the fastest growing Private Sector B-School in India. What is propelling this spectacular growth of your institute?

Our entry to the sectoral programmes, continuous improvements in the quality of infrastructure and academia every year, increasing faculty strength and providing faculty a free and developing environment has put us giving high returns of growth. BIMTECH had more appetite for growth and scope too.

INTERNATIONAL MANAGEMENT INSTITUTE

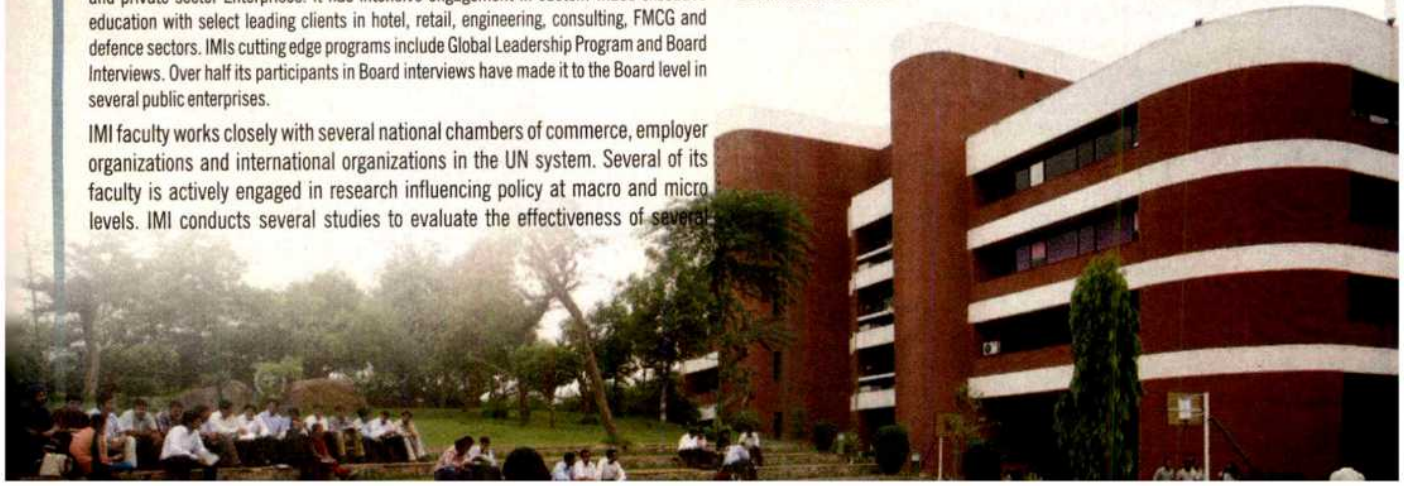
TRANSFORMING LIVES...

International Management Institute (IMI) is India's first corporate sponsored B-school, with a board comprising who is who from industry, government and academia led by Shri R P Goenka. IMI offers 5 long term programs: PGDM, PGDM (HR), Executive PGDM, PGDM (Part time), PhD Program.

IMI has 40 full time faculty and about 4000 alumni. IMIs alumni are occupying leadership positions in Government (in India and abroad), industry and academia and several of them have proved themselves to be successful entrepreneurs.IMI has earned a niche for consulting in the areas of survey research, business plan preparation and in organizational design and restructuring. It conducted studies on transformation in several leading public and private sector Enterprises. It has intensive engagement in custom-made executive education with select leading clients in hotel, retail, engineering, consulting, FMCG and defence sectors. IMIs cutting edge programs include Global Leadership Program and Board Interviews. Over half its participants in Board interviews have made it to the Board level in several public enterprises.

IMI faculty works closely with several national chambers of commerce, employer organizations and international organizations in the UN system. Several of its faculty is actively engaged in research influencing policy at macro and micro levels. IMI conducts several studies to evaluate the effectiveness of several programs. IMI specializes in benchmarking best practices and assists SCOPE and other organizations in identifying excellence at individual, organizational level. A relatively less known fact about IMI is that over the past 25 years IMI faculty led at least 25 B-schools as deans and directors. Several of them have chosen to come back to teaching at IMI.

Located in south Delhi, IMI's integrated modern campus is conducive to all round development of students. An amphitheatre is the nodal point of campus life around which the academic block, residence and recreational facilities are located. The centrally air-conditioned academic complex consists of spacious lecture halls, a computer centre, a conference room, an auditorium, the library, and faculty chambers as well as administrative offices.



INSTITUTE OF MANAGEMENT TECHNOLOGY - CENTRE FOR DISTANCE LEARNING (IMT-CDL)

WIDE SPECTRUM OF MANAGEMENT AND INFORMATION TECHNOLOGY PROGRAMMES

Dr Arun Mohan Shetty
DEAN, IMT-CDL

From a modest beginning in year 1986, Institute of Management Technology - Centre for Distance Learning (IMT-CDL), recognized by Distance Education Council, Govt. of India has now grown into a quality distance learning institute for management education. The guiding philosophy of the institute, throughout, has been to prepare dynamic leaders who go beyond the conventional management techniques.

Institute of Management Technology-Centre of Distance Learning has been contributing to the country's educational revolution in its own way. Fully alive to the emerging challenges, the centre has been at the forefront, establishing a lead by preparing future managers with distinct vision blended with technology and skills. The centre strives to create and nurture leaders in the fields of management and entrepreneurship to keep pace with the growing demand for skilled professionals in the global corporate world.

Dr. Arun Mohan Sherry, Dean, Institute of Management Technology- Centre of Distance Learning explains, "With the growing internationalization of education and increasing demand for a flexible and versatile study environment, Institute of Management Technology encourages knowledge-based distance learning education with IMT-Centre for Distance Learning. To inspire distance learning, IMT-CDL offers a wide spectrum of management and information technology programmes. The portfolio of programmes is updated constantly to suit the dynamic global as well as Indian business environment."

Institute of Management Technology- Centre of Distance Learning offers a wide array of post-graduate programmes with a choice of specialization in business, finance, marketing, export, retail, insurance, supply chain, material and human resource management. Apart from these programmes, IMT- Centre of Distance Learning offers one-year post-graduate diploma in taxation in collaboration with Taxman having distinguished panel of eminent experts – Dr. V.K. Singhania, Mr. V.S. Datey and one-year post-graduate diploma in cyber security in association Ankit Fadia, world-renowned cyber security expert.

The Fellow Programme in Management (FPM) of IMT-Centre for Distance Learning of Doctoral Level aims at imparting training to professionals (self-employed or working in corporates) and teachers in the various disciplines of management science, in the skills and competences related to the systematic investigation of various issues and problems in the area of their study.

Institute of Management Technology (IMT) is one of the leading business schools in India. IMT was constituted in 1980 with its first campus coming up in Ghaziabad, Uttar Pradesh. Since then, IMT has expanded its presence and opened up two new centres of learning – Nagpur in 2004 and Dubai in 2006. IMT also provides quality management education through IMT-Centre for Distance Learning. IMT's major strength lies in a strong team of highly qualified faculty, quality students and dedicated staff.

IMT Ghaziabad has been ranked amongst the top 10 B-schools in India consistently and IMT Nagpur is ranked among top 20 private B-schools in India. IMT Dubai has the distinction of being the first-ever Indian B-school to get an approval from the Ministry of Higher Education and Scientific Research, Govt. of UAE to offer an accredited MBA program and executive education to companies operating in UAE.

A reputed centre of excellence, IMT enjoys strong industry goodwill and has recorded 100% placements with nationally and internationally reputed companies. Since the day of its inception, Institute of Management Technology (IMT) has taken focused steps to fulfill its dream of becoming the country's premier management institute with a global vision. Today, having transformed the dream into reality, IMT academicians and students alike have gained due recognition worldwide for their academic and professional excellence.

INSTITUTE FOR TECHNOLOGY AND MANAGEMENT

THE NEW MBA: BACK TO BASICS

The recession has affected business schools in some unexpected ways! While placements have taken a hit, many B-schools have experienced a drop in admissions as well. Is the MBA losing its status?

"As educators, we need to balance the expectations of students with the learning outcomes of the program," says Dr. P.V. Ramana, Chairperson of the ITM Group of Institutions, which has recently established the Asia Graduate School of Business, in Hyderabad. "Five years of limitless economic growth has made it too easy for MBA graduates and B-Schools- with recruiters hiring en masse, offering top-dollar salaries just to make their numbers. Reality has hit hard, and in my opinion, this is the best thing to happen to B-Schools!" he says.

"Its time to return to the fundamentals of business education- to create a business professional, who understands how the world works, and can think and act with conviction. Our pathbreaking 1 year PGP program at Asia Graduate School of Business, has been built from the ground-up to develop such leaders."

Building on a deep collaboration with the Fisher College of Business – Ohio State University, AsiaGSB launched the first cohort of its PGP in June 2009, drawing students with diverse backgrounds, an average age of 29, and 6+ years work experience.

Admissions for the 1 year PGP 2010-11 are in progress. For details, call 1-800 229727 (tollfree) or visit www.asiagsb.ac.in.

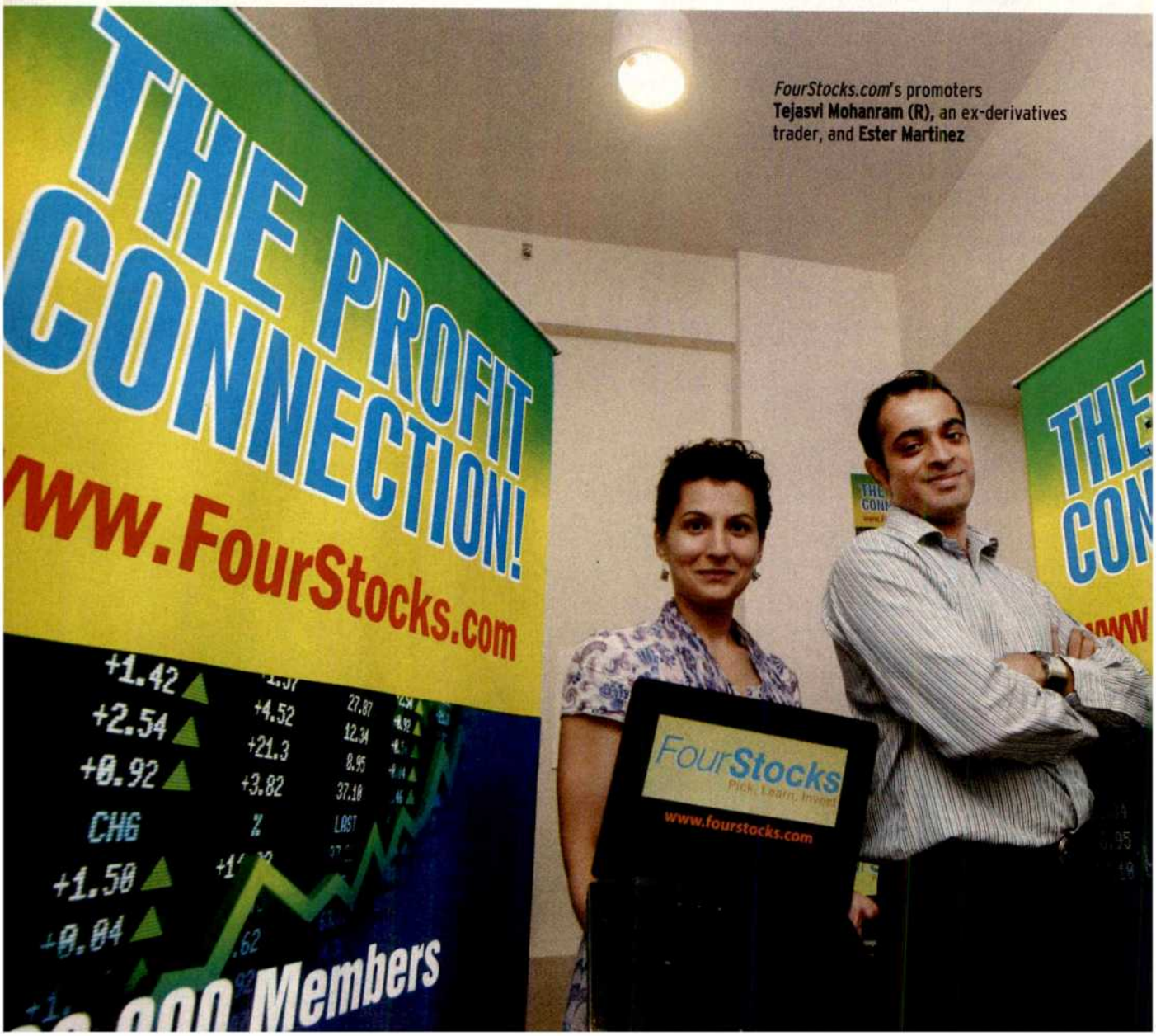
Dr P.V. Rama
CHAIRPERSO

Money

Online Mutual Funds

Investing via Social Networks

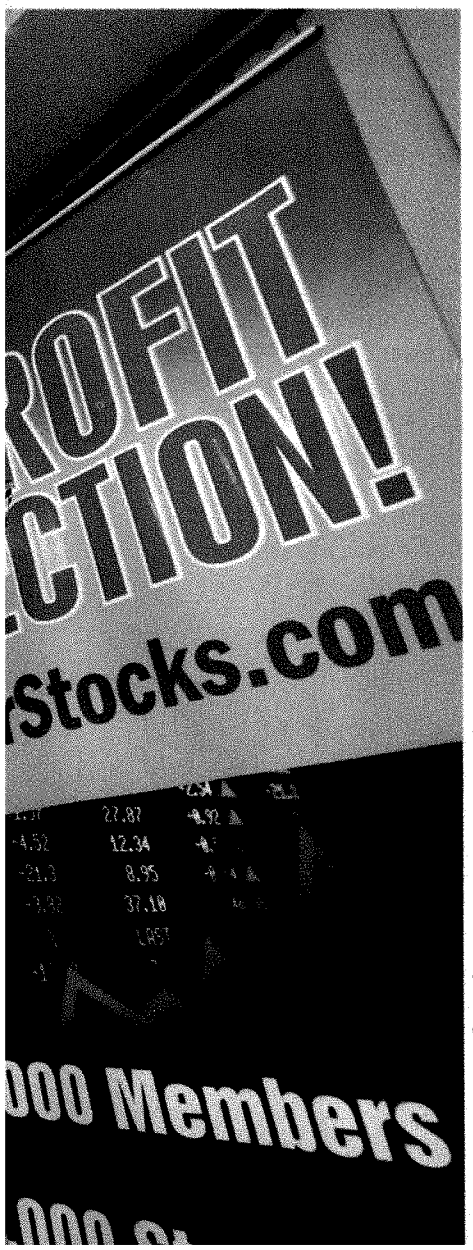
Investors are increasingly using tips and ideas from social networking sites and specialised online groups for making investment decisions. RACHNA M. KOPPIKAR



FourStocks.com's promoters **Tejasvi Mohanram (R),** an ex-derivatives trader, and **Ester Martinez**

Shrujit Debnath, a 46-year-old government employee, stuck to his investment in Satyam Computer Services when its promoter B. Ramalinga Raju popped the truth about falsifying company accounts. The stock had crashed to a low of Rs 11, and market pundits had stopped tracking the stock. At stockezy.com, a social networking website for investors, Debnath met investors who shared his optimism. He held on to the stock, which has now multiplied over 10 times from its lows.

Management student Jimeet Modi, 20, got a similar reassurance last October from the members of an online (Google) group, StockTalkS, comprising mostly analysts and experienced investors who were bullish on markets. Modi, who has been investing in stocks since the age of 15, bought shares of Reliance Industries Ltd (RIL) at Rs 950. His money has more than doubled as RIL shares are currently trading above Rs 2,100.



AMIT KUMAR/www.indiatodayimages.com

Debnath and Modi are part of a growing tribe of investors who no longer consult their neighbours or colleagues or listen to market pundits on business channels, and instead prefer to connect with like-minded people online for sharing investing tips and making investment decisions. At the heart of this budding trend is a clutch of social networking sites that, by virtue of their more focussed and targeted information and communication, are proving more effective than the online discussion boards and investing communities that have preceded them. Welcome to the world of social investing.

Over the past year, community websites such as *stockezy.com*, *MoneyVidya.com* and *FourStocks.com* have come up in India, seeking to bring together investors, traders on a common platform, much the same way Facebook or Orkut helps us connect with friends, relatives and former colleagues.

But the phenomenon of social investing owes as much to the new social networking websites as the several groups on Google, Orkut and Facebook. StockTalkS is one such prominent group that was started and managed by Mumbai-based investor Jagdish Bharwani five years ago. Its 1,000-odd members, comprising analysts, fund managers and investors, share research reports and take part in select discussion forums to exchange information about companies.

But what really prompts investors to flock to such forums and groups? Says Manish Shah, Associate Director

Stockezy.com

PROMOTER: Tushar Makhija, a Silicon Valley technology professional, started this website in August 2008.

It has 5,000 users, who contribute news, stock tips and offer opinion. Around one-tenth of users regularly make stock recommendations.

StockTalkS

PROMOTER: Mumbai-based investor Jagdish Bharwani launched this Google group almost five years ago.

It has around 1,000 members, largely brokers, analysts, hedge fund managers and investors, who share research reports and give opinions about stock picks or company-related news.

FourStocks.com

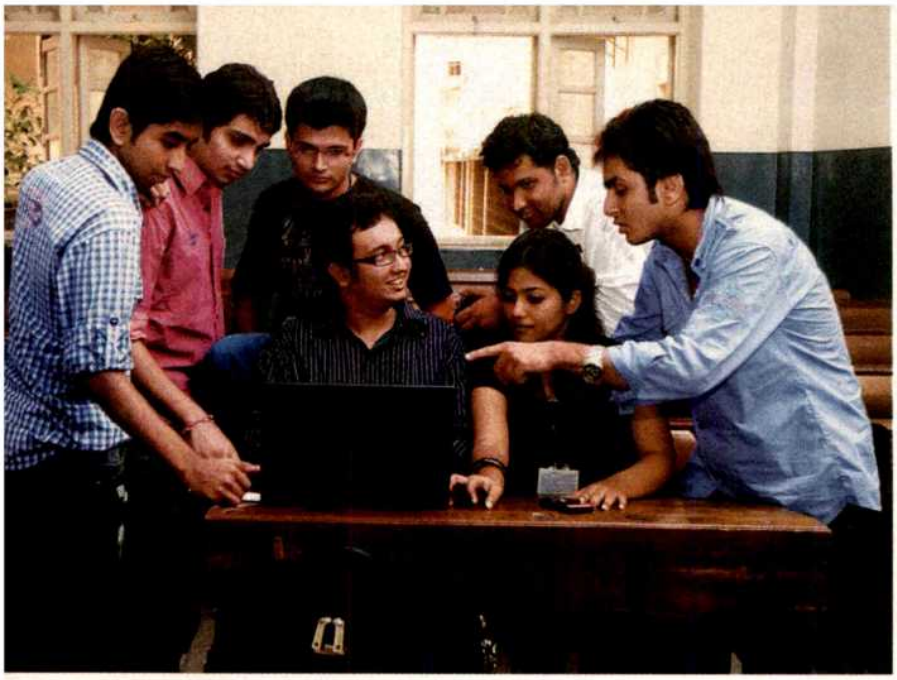
PROMOTER: Tejasvi Mohanram, a former derivatives trader, and his friend, Ester Martinez, owners of Delhi-based start-up Tetra Media, launched this website in November 2008.

It has 16,332 registered users, of which 40 per cent make regular stock recommendations.

MoneyVidya.com

PROMOTER: Gautam Kshatriya, a former management consultant with Ernst & Young, launched this website in January 2009.

It has around 6,000 registered users, out of which 100 contribute actively to the blog and the stock pick section.



RACHIT GOSWAMI

Jimeet Modi (with laptop), a 20-year-old management student, has been a member of the StockTalkS group and is spreading the concept of social investing by organising a national seminar in his college in Mumbai.

(Business Strategy & New Initiatives), Motilal Oswal Securities: "Everyone is in search of a multi-bagger or a game changer for his portfolio." The uncertainty attached to markets makes investors wander for that element of certainty. These sites at least provide the comfort of knowing what other investors are thinking or doing.

Unsurprisingly, the biggest draw on these social investing websites is the stock tips and recommendations section, which is modelled on the lines of international websites such as *SocialPicks.com*, *zecco.com* or *covestor.com*. Here, investors recommend stocks and are graded as ace stock picker or a stock guru depending on the performance of their stocks *vis-à-vis* the index. The rest of the community simply follows their stock picks. Though there is always a danger in handing out tips, for the website promoters, this feature is the biggest differentiator. "After making periodic picks and being on our leaderboard for an extended period of time, one can eliminate the 'luck-factor' and can say with lesser doubt that our member or analyst has a talent for picking winners," says Tejasvi Mohanram, a former derivatives trader and now the promoter of Tetra Media, which runs *FourStocks.com*. The website claims to have 16,332 users, of which 6,500 make stock recommendations.

Gautam Kshatriya, a former management consultant with Ernst & Young and the promoter of *MoneyVidya.com*, is convinced that the rating system on his website is more credible *vis-à-vis* the analyst or expert recommendations on television, who are rarely tracked for their previous picks. Tushar Makhija of *stockezy.com* says he has been getting registration requests from small-time portfolio managers in places like Rajkot to allow them to make recommendations on his website.

With markets charting a volatile course since 2008 and very few analysts being able to predict its course, it's natural for investors to lose faith in the opinions of run-of-the-mill experts and find newer avenues for research. As a result, Debnath spends less of his time in reading analyst reports in his mailbox. Instead, he waits for a regular update from his wife about what's being discussed on *stockezy.com*. "Being an investor since 2004, I know for a fact that news flows into the stock prices even before we get to know about it. By talking to each other we can discover opportunistic bets and rely on our own decisions rather than on the recommendations of analysts and experts," says Debnath.

Shashank Bijapur, a 24-year-old Mumbai-based lawyer, is enthusiastic about doubling his money in his first ever investment in stock markets. He swears by *FourStocks.com*, a social website, which has helped him pick up multi-bagger stocks since his first day of investment.

RACHIT GOSWAMI

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The two year program of International Business at GITAM University is the flag ship program of erstwhile GITAM Institute of International Business. The Program has become popular through out the country. Every year students are admitted on an average from 20 states, and they are successfully placed in Industry in India and abroad. In order to promote International Business further, last year two more programs are started in International Banking and Finance & Logistics and Supply Chain Management.

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Students admitted will have the opportunity to go on **'Students – exchange programe'** to Burgundy School of Business at Dijon, France and other B-Schools in Europe to pursue one trimester.

Eligibility for all Programs

- 50% aggregate marks in any Bachelor's Degree (after 10+2) from a recognized university
- Those awaiting results of Degree examinations may also apply. However, if proof of graduation is not submitted by 30th September 2010, their admission will be automatically cancelled without refund of fee
- CAT-2009 / IIFT-2009 / XAT-2010 / MAT-(Sep-2009, Dec-2009, Feb -2010) / GET'10* scores
- We also conduct an admission entrance test – GET'10. The test is optional for those who have other test scores, and compulsory for those who do not have any of the above mentioned scores.

How to Apply

- Application along with brochure is available at IMS centres on payment of Rs. 1000/- by cash. The same can also be obtained by post from us, by sending a DD of Rs. 1100/-. The application can also be downloaded from our website and submitted duly filled-in, enclosing a DD for Rs. 1000/- in favour of "GIIB- GITAM, payable at Visakhapatnam."

GET'10

- Candidates can register for GET'10 in the same application, by paying an additional fee of Rs. 500/- by DD and send it along with the application. The test will be held on March 21, 2010 at Bangalore, Bhubaneswar, Chennai, Delhi, Hyderabad, Kolkata, Mumbai & Visakhapatnam.
- We reserve the right to add or delete any centre.
- The Facility to apply online will be operational shortly.

Important Dates

The last date for receiving filled-in application	**: 1st March, 2010**
GET'10 Test Date	**: 21st March, 2010**
GD and PI	**: 22nd – 24th March, 2010**

IIMS and XLRI have no role either in the selection process or in the conduct of the programmes.

For more details log on Website : www.giib.edu.in

Prof. P. R. S. Sarma, Chairperson : Admissions, GIFT BHAVAN, GITAM UNIVERSITY.

A University Committed to Excellence

YUSUF KHAN

This credibility factor has also helped in roping in newcomers like 24-year-old lawyer Shashank Bijapur, who just wouldn't entrust his family's savings with any broker until he stumbled upon *FourStocks.com* a few months ago. "I got the first-hand experience of investing in markets by following the top stock pickers, who give their rationale for investing. Which broker would have had so much time to cater to me?" says a confident Bijapur as he recollects the number of *FourStocks.com* picks, which made money for him. He is confident that his faceless buddies on the website will be first to warn him about a free fall in stock markets.

Besides using the tips from these forums and websites for creating his personal portfolio, investors like Chintan Singhvi, a 29-year-old trader in plastics and polymers, have also benefited from a regular interaction in the StockTalkS forum. In early 2008, the rupee was trading at Rs 40 to a dollar, and the general perception was that it would go down to Rs 36. But Singhvi discussed it with other investors in the forum, who believed it could go down to Rs 48-50. He immediately advised his trading partners to book dollar payments at Rs 40 instead of expecting it to come down to Rs 36. The trading partners never had to regret the advice given by Singhvi.

Shrujit Debnath (L), a 46-year-old government employee, doesn't rely on the recommendations of experts as much as those of co-investors.

But what has worked for Singhvi and others mentioned in this feature may not work for other investors in future. There is a two-fold danger: As the trend catches on, many investors are likely to become dependent on social investing websites and that may cause a proliferation of such online platforms some of which may be just online versions of tip-sheets. Therefore, investors need to be cautious, and not blindly follow tips and recommendations given by the websites.

Internationally, social investing websites have attracted institutional funding from private equity players. *SocialPicks.com*, for instance, was taken over by Financial Content, a financial data mining firm. The Indian website promoters are ready to take the next leap, but since they have only been around for a short time, it still needs to be seen if their model can survive a boom-to-bust cycle.

As of now, these websites do not charge any fees to the investors. *MoneyVidya.com* plans to monetise the website by charging users for the access to the top-rated stock pickers' recommendations. A portion of this fee will be shared with the stock pickers. Makhija of *stockezy.com*, too, plans to introduce a community intelligence index, which will track the stock picks of the registered members and will charge users accordingly. "Our cost of developing the website is negligible as we have developed the software in-house. The idea is to generate money through subscriptions and advertisements," says Makhija.

Since entry barriers are non-existent, the existing players could lose their competitive edge as new players join the race. Also, a market crash could dent the subscription-based model and take away the eyeballs. Manish Shah of Motilal Oswal hopes that these websites do not just become a bull market phenomenon. Arun Jethmalani, CEO, Value Notes Database, a financial research and database firm which does retail investor confidence surveys, wonders how the thousands of eyeballs will convert into millions and become a sustainable community. "Most of the entrants don't have a clear business plan to translate eyeballs into revenues. It's easy to generate some initial traffic, but it's much harder to outlive and outgrow all the competition," says Jethmalani, who, however, believes that there could be a couple of big winners in the long run. ⊙

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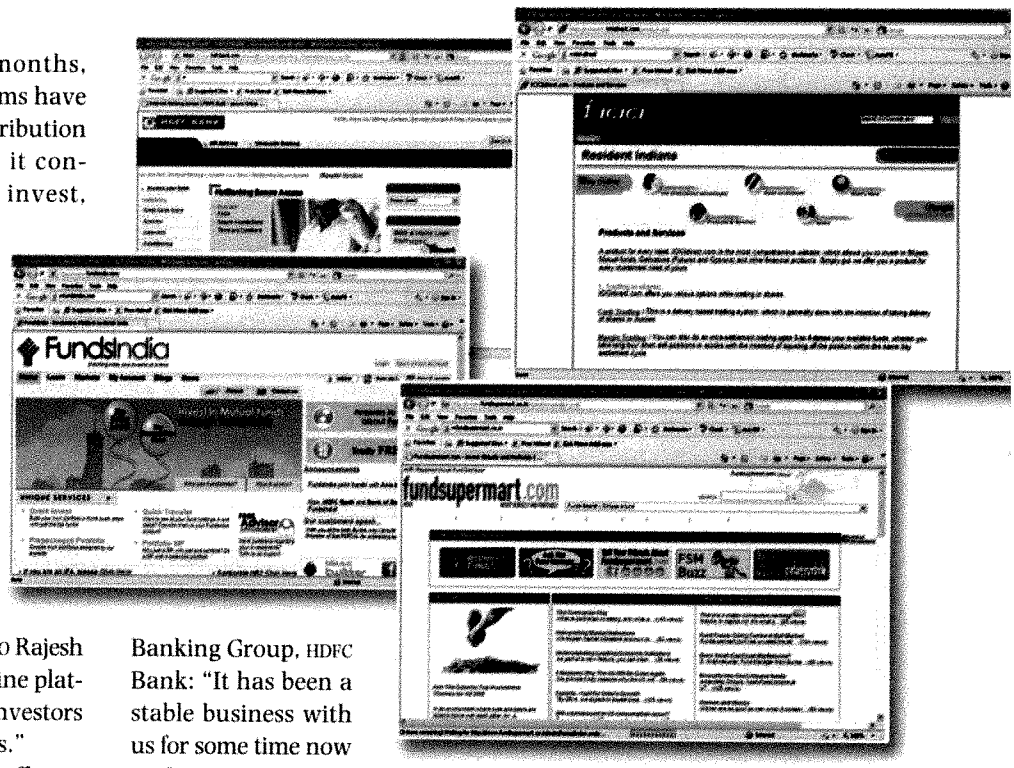

Over the past few months, several financial firms have initiated online distribution models that make it convenient for investors to invest, redeem and switch between different fund schemes. Mumbai-based iFast Financial & Abchlor Investments and Chennai-based Wealth India, for example, have launched mutual trading platforms for investors like fundsupermart.co.in, investonline.in and fundsindia.com catering to mutual fund transactions. Says iFast Financial CEO Rajesh Krishnamoorthy: "The online platform makes it cheaper for investors to transact in mutual funds."

Select banks have been offering such solutions for some time, but they restrict transactions to their net banking members only. HDFC Bank offers its net banking customers a facility to invest in various mutual funds. ICICI Bank also offers similar services through its online trading platform ICICI Direct.

The new online transaction sites, on the other hand, are open to members of different banks or individuals with multiple bank accounts. Currently, there are about 14 different banks to choose from. Says Abhinav Angirish, MD, Abchlor Investments: "We have received a significant number of enquiries in the last month."

Banking websites usually have a small transaction or annual cost. For example, HDFC Bank charges a fee of Rs 100 per quarter, while offering investments in nearly all fund houses. Says Nitin Rao, Executive Vice President, Private Banking Group, HDFC Bank: "It has been a stable business with us for some time now and we have more than 2 lakh accounts." On the other hand, ICICI Direct charges a flat fee of Rs 100 per transaction, irrespective of the investment amount. If your total investment corpus exceeds Rs 8 lakh, the transaction fees are waived.

Their newer financial competitors, however, don't charge any account maintenance or opening charges or even a transaction fee. They earn revenues through a trail fee, ranging from 50 to 75 basis points of the corpus that's paid out by the asset management company, and which falls under the regular expense charged by a fund house. Investors, however, have to register personal details and comply with regular know-your-customer norms.

You can also switch your existing physical fund holdings online. If you have a large mutual fund corpus, then using the online platforms of banks may be a good option as the bank charges as a percentage of your corpus will be insignificant. However, for small and new investors, the new MF transaction sites will help save a bundle. If you are a do-it-yourself investor, that's a major plus. ⊙

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ICICI Direct	Rs 100*
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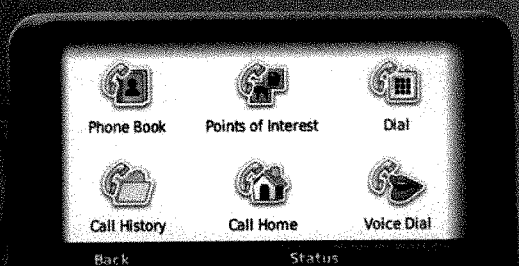

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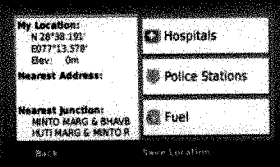

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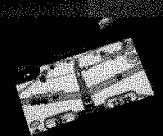

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Lessons in Twittering

We carried a list of 'twitting rules' a few months ago. Maybe it is time for another one in the light of recent events. KUSHAN MITRA

Minister of State for External Affairs Shashi Tharoor's "cattle class" comment on micro-blogging site Twitter has ensured a media furore and calls for his resignation. Such is Twitter's popularity that there are several businesses around the service, but Twitter itself has little idea on how to make money. On the other hand, Facebook is growing rapidly and blogging is still not passé. Twitters, too, are yet to master all the rules of twitting. So here's a "dos and don'ts" list. ⊙

Your Twitter account and your blog are private and reflect only your thoughts. But even if you run a disclaimer, your opinions can be reflective of a certain bias. Tread carefully on subjects that involve you or your company.

about 8 hours ago

Take care about what your colleagues say. In an attempt to prove loyalty to you or the company, they can do far more harm than good. Have a proper 'public engagement' policy in place for your minions, and one for yourself.

about 3 hours ago

Do not under any circumstance get involved in a 'flame war' online. A 'flame war' happens when two or more people start arguing online. A long and sustained 'flame war' can damage your reputation more than a mistimed punch.

about 5 days ago

Don't try and be too preachy either, because that would make anyone sound like a complete twit. So what if it is only 140 characters?

about 4 hours ago

You found something funny online and want to share it on Twitter or a blog? Go ahead, but please spend some time checking the antecedents of what you are posting. The Internet is full of sob-stories and hoaxes. Be wary.

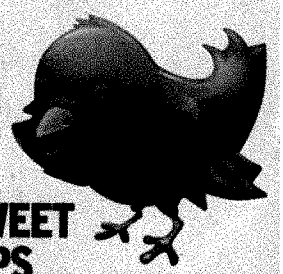
about 9 hours ago

Different social networks serve different purposes. LinkedIn is for professional contacts and Facebook is for friends. Twitter is to tell people about what you are thinking or doing. People won't add you just because you know them.

about 3 hours ago

Follow back only if the situation demands, but a moderate 'following' list on Twitter also highlights your taste. Only news-bots and people with a highly exaggerated opinion of themselves follow virtually no-one.

about 3 hours ago



TWEET TIPS

- Getting the hang of how to use Twitter? First things first, don't use the Web interface of the service. Instead, use an application such as **TweetDeck, Tweetie** or **Twitterific.**
- If you want to use multiple accounts—useful if you maintain separate work and personal accounts—use **HootSuite.**
- If you want to share a link on Twitter but find 140 characters too demanding a limit use an URL shortening service such as **http://bit.ly.**
- To post pictures use a service called **Twitpic** and to post videos use **Twiddeo.**
- Want to find out who are the most popular people on Twitter? Check out **Twitterholic.com.**

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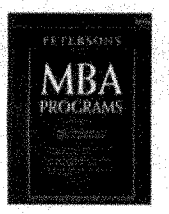
The B-school Bookshelf

Can I get into a top B-school, either here or around the world? Do my essays make the grade? Do I have a shot at cracking the CAT? These questions, amongst a slew of others, often plague B-school aspirants—but here is some essential reading to alleviate those anxieties. Also included are two personal accounts from Harvard B-school grads, an 'irreverent' work of fiction on IIM Bangalore and a new book on best practices in business education.



Peterson's *MBA Programs*, 11th Edition

Publisher: Peterson
Price: Rs 1,568

A mainstay on the MBA front, this guide provides detailed profiles of foreign B-schools as well as tips on picking the right ones.

The Official Guide for GMAT Review, 12th Edition

Publisher: Wiley
Price: Rs 1,225

This is the only book on the market written by the creators of the GMAT exam. Filled with 800 actual GMAT questions from previous tests.

Joker in the Pack

by Ritesh Sharma & Neeraj Pahlajani
Publisher: Orient Paperbacks
Price: Rs 200

An up-close, fictional look at IIM-B that chronicles the highs and lows of a unique Indian B-school experience.

Cracking the Cat Common Admission Test for IIMs

Publisher: Wiley
Price: Rs 330

Geared for aspiring Indian MBAs, this resource helps you to negotiate India's most challenging B-school exam.

How to Get into the Top MBA Programs

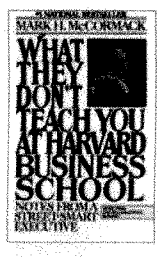
by Richard Montauk
Publisher: Prentice Hall
Price: Rs 931

Filled with useful info—from marketing yourself, to writing winning essays.

What They Don't Teach You at Harvard Business School

by Mark H. McCormack
Publisher: Bantam
Price: Rs 600

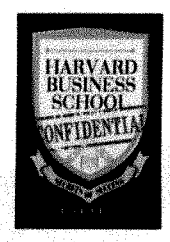
The author says he wrote this to bridge a business school education with street knowledge.



Harvard Business School Confidential

by Emily Chan
Publisher: Wiley
Price: Rs 700

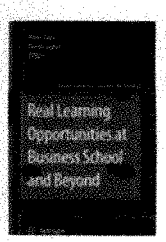
An account of lessons learned from HBS and its applications in the real world.



Real Learning Opportunities at Business School and Beyond

by Peter Daly and David Gijbels
Publisher: Springer
Price: Rs 8,281

A vital tool for educators. Comprises research and best practices in the field.



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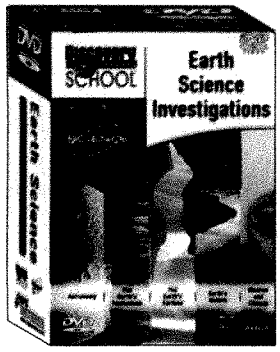

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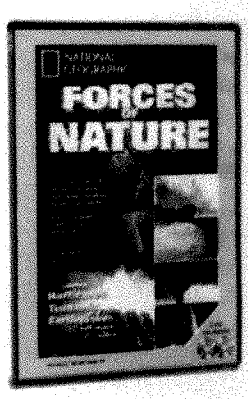

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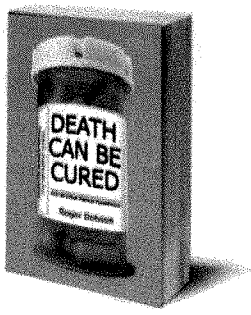

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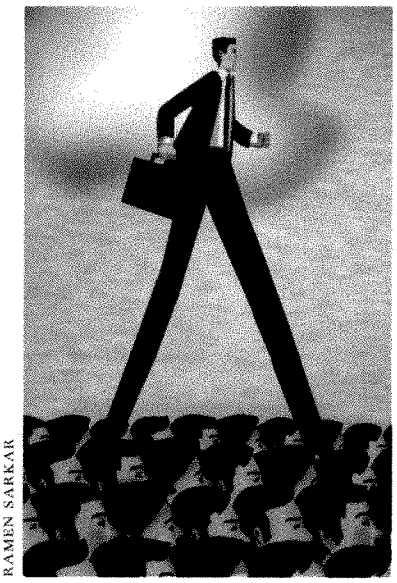
Be a Master Motivator

Motivation works best when it is customised to the situation and the individual. SAUMYA BHATTACHARYA

The first step to motivation is simple: Start with a clearly identified vision. Then pay attention to the people around you who are critical to achieving it. The core of motivation is creating a trusting work environment, according to Lloyd Baird, author and Professor of Management at Boston University. He advises managers to treat everyone, at every level of hierarchy, with respect and consideration. While being fair, kind and courteous is always in fashion, a leader's thoughtfulness could encourage some much-needed drive especially during volatile times.



RAMEN SARKAR

Leadership experts say that a team is only as good as the leader. A master motivator should dedicate himself to the vision. "Your commitment will be a model for everyone in the group," says Baird. "If they see you working hard for the goals, they will join you." Transparency also matters; be honest, accept your mistakes and admit when you don't have an answer.

Even more inspiring is a manager who protects his group. It's your team, so define a boundary around it and shelter members from interference. "Show courage in sticking up for your people," Baird says.

"YOUR COMMITMENT WILL BE A MODEL FOR EVERYONE. IF THEY SEE YOU WORKING HARD FOR THE GOALS, THEY WILL JOIN YOU"
Lloyd Baird, author

In his motivation-hygiene theory, American behavioural scientist Frederick Herzberg observed that certain factors in the workplace caused job satisfaction while a separate set of factors led to dissatisfaction. People can get very disaffected about things like salaries or job security. Even if these issues are resolved, however, job satisfaction is still not guaranteed. Herzberg recognised that job satisfaction and motivation was a result of factors such as achievement, recognition and growth. Organisational leaders, therefore, advocate a tailor-made form of motivation.

Deep Kalra, CEO, *makemytrip.com*, seconds this approach. His take on motivation: Competent people want more space and latitude. In his bid to attract the best talent for his relatively small business, Kalra dangled the carrot of both a broad canvas as well as ownership. It worked like a charm. ⊙

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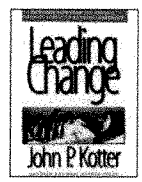
A MOTIVATION BLUEPRINT

- Be direct with people who are learning a new skill. They need very specific instructions and continuous feedback.
- Support people who are both learning skills and gaining experience. They need direction, the freedom to make mistakes and the encouragement to keep going.
- Encourage people who may be highly competent, but who may lack self-confidence. Use positive reinforcement to help them recognise their developed abilities.
- Delegate to highly-motivated and experienced people. Determine whose expertise or experience is suited to a "stretch" assignment, then give that person the support and freedom she needs to succeed.

Source: *Leading People* (Harvard Business School Press)

SUGGESTED READING



LEADING CHANGE
By John P. Kotter

LEADERSHIP IN ORGANIZATIONS
By Gary A. Yukl

BiQ

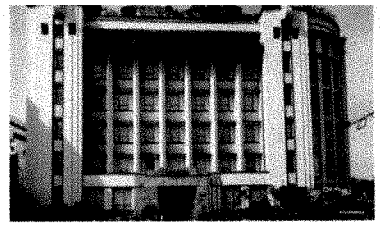
Test Your Business I.Q.

Amol from Bangalore *was the first to give us the correct answers to the quiz published in the issue dated September 20, 2009. So, as we promised, he wins a year's subscription to* BT.

E-mail us the right answers at *btfeedback@intoday.com* or log on to *www.businesstoday.in* to take the quiz online. Correct answers in the next issue of *BT*.

ANSWERS to the quiz in the last ISSUE, dated **OCT. 4.**

1 b. Paradigm shift
2 a. Farnborough
3 b. Kalaignar TV
4 b. HOG
5 b. The Dalal Street Bull
6 b. The last cigarette ad in the US
7 c. Chrome
8 b. Prada
9 b. Bridge
10 d. Paramount Airways



1 Which Indian enterprise founded by a Welshman as a piece goods and banking house in 1788 has its headquarters at Dare House in Chennai, at a corner named after the founder?

- ☐ a. Royal Enfield
- ☐ b. Spencer's
- ☐ c. Parry's
- ☐ d. Binny's

2 What did the organisation founded as a Hindu Permanent Fund in 1906 by Ammembal Subba Rao Pai, a philanthropist from Mangalore, develop into?

- ☐ a. Indian Bank
- ☐ b. Karur Vysya Bank
- ☐ c. Canara Bank
- ☐ d. Dhanalakshmi Bank

3 What did Scotsman Thomas Sutherland and some international traders do in 1865 to finance trade between China and Europe?

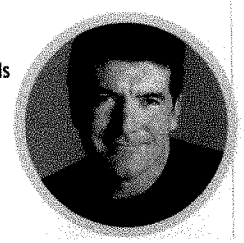
- ☐ a. Form HSBC
- ☐ b. Seize Hong Kong
- ☐ c. Form Hutchison Whampoa
- ☐ d. Form Jardine Matheson

4 The characteristic flavour of this kind of tea comes from the addition of oil from the rind of the bergamot orange. Name this tea which bears the name of a British peer.

- ☐ a. Earl Grey
- ☐ b. Twinings
- ☐ c. Glengettie
- ☐ d. Brodies

5 Syco is an entertainment company that seeks to produce TV shows, records and movies. Till date it has sold 150 million music albums. How does Syco choose its most prominent artists?

- ☐ a. Studio auditions
- ☐ b. Winners on *Idol*
- ☐ c. From college bands
- ☐ d. From websites



6 It was called Wire & Plastics Products. Beginning 1985, the new owner made 15 acquisitions, creating a services giant. Who was the new owner?

- ☐ a. David Ogilvy
- ☐ b. Martin Sorrell
- ☐ c. Rory Sutherland
- ☐ d. Oliviero Toscani

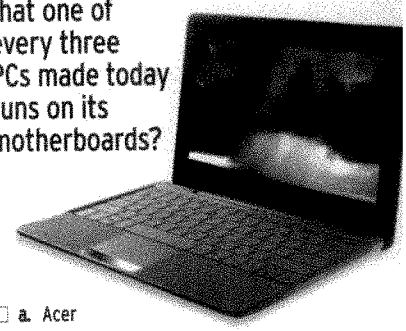
7 Which multi-billion dollar industry is referred to in the UK and Australia as "the rag trade"?

- ☐ a. Textile
- ☐ b. Paper recycling
- ☐ c. Yellow journalism
- ☐ d. Fashion

8 In 1911, which oil giant was split by orders of the US Supreme Court into 34 smaller ones?

- ☐ a. Standard Oil
- ☐ b. Exxon Corp
- ☐ c. Atlantic Richfield Co.
- ☐ d. Union Oil Co. of California

9 Which Taiwan-based company proudly claims that one of every three PCs made today runs on its motherboards?



- ☐ a. Acer
- ☐ b. Asustek
- ☐ c. Micro-Star International
- ☐ d. Lenovo

10 In 1953, they began by trading in sugar and later entered insurance. They went into electronics only five years after all this. Which company?

- ☐ a. Samsung
- ☐ b. LG
- ☐ c. Daewoo
- ☐ d. Hyundai

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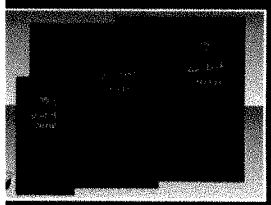
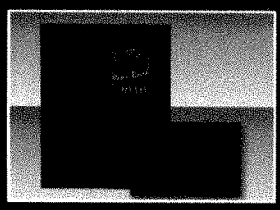
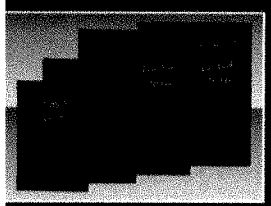


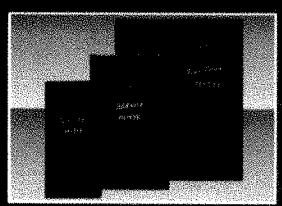
WEEK-AT-A-GLANCE:
YEARBOOK • SLIMLINE



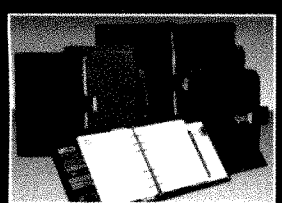
2-DATES-A-PAGE:
• POCKETLINE



PAGE-A-DAY:
• COMPANION • PAGE-A-DAY
• EXECUTIVE • PROFESSIONAL



GIFT ITEMS:
• LEATHER SET • LEATHERETTE SET



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IT111	YEARBOOK (Black)	22*27	625	565		
IT202	SLIMLINE (Leather)	9*18	325	295		
IT104	SLIMLINE	9*18	200	180		
	FORMAT: 2-DATES-A-PAGE					
IT110	POCKET LINE (Leather)	8*10	145	130		
IT108	POCKETLINE	8*10	85	80		
	FORMAT: PAGE-A-DAY					
IT106	EXECUTIVE	22*27	565	510		
IT112	EXECUTIVE (Black)	22*27	565	510		
IT107	PROFESSIONAL	18*26	495	445		
IT109	COMPANION	18*24	450	405		
IT102	PAGE-A-DAY	13*19	395	355		
	GIFT SETS					
IT200	LEATHER SET (Yearbook / Slimline / Address Book)		1795	1615		
IT205	LEATHERETTE SET (Yearbook / Slimline / Address Book)		995	895		
	ADDRESS BOOKS					
IT203	ADDRESS BOOK (Leather)	13*22	350	315		
IT204	ADDRESS BOOK	13*22	225	205		
	PLANNERS					
	FORMAT: PAGE - A- DAY					
IT217	EXECUTIVE PLANNER (Leather Black, with calculator)		1465	1320		
IT210	PLANNER (Leather Red, with cell case)		1395	1255		
IT211	PLANNER (Leather Tan, with cell case)		1395	1255		
IT216	PLANNER (Leather Black, with cell case)		1395	1255		
IT212	PLANNER (Leather Red, with calculator)		1395	1255		
IT213	PLANNER (Leather Tan, with calculator)		1395	1255		
IT215	PLANNER (Leather Black, with calculator)		1395	1255		
IT218	EXECUTIVE PLANNER (Leatherette Black, with calculator)		975	880		
IT214	PLANNER (Leatherette Black, with cell case)		725	665		
IT219	PLANNER (Leatherette Black, with calculator)		725	665		
	FORMAT: WEEK- AT- A-GLANCE					
IT222	MINI PLANNER (Leatherette) (Black, Brown, Golden, Red, Silver)		495	445		
	GIFT SET					
IT225	PLANNER & MINI PLANNER (Planner Leatherette Brown with Calculator) (Mini Planner Leatherette Brown)		995	895		
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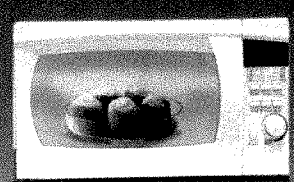

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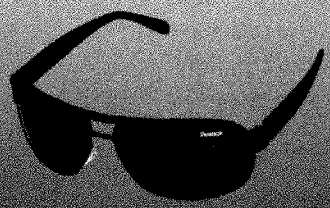

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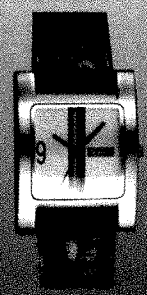

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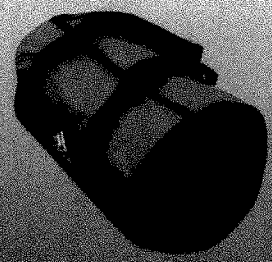

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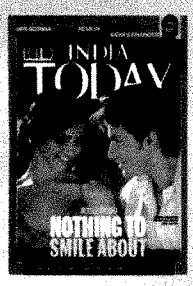

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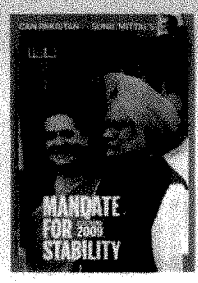

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NISHIKANT GAMRE

DEV PATNAIK

A Recipe for Innovation

"Business is personal, else, who would spend time building it," says **DEV PATNAIK**, CEO of US-based innovative design strategy firm, Jump Associates LLC. His novel thought has been lapped up by companies such as Nike, Hewlett-Packard and Harley-Davidson known for their design, innovations and market leadership. Some credit for that goes to Patnaik, 38, who is in the business of encouraging companies to reinvent and change their strategy. So, what was his business strategy in turbulent times? The last year has been tough, but, as Patnaik says, it was still a good business year for his 12-year-old firm. Companies that were truly sincere about changing their ways of doing business continued to do so, says Patnaik, who was in India to promote his book, *Wired to Care*. He insists: "Creativity is not a pre-requisite to the new success formulae". Any takers for this radical recipe for innovation?

MARTHA BEJAR

Fresh Pitch

Over a year after appointing two CEOs for Wipro's IT business, the company is putting in place other pieces of its new top management structure. A key appointment is **MARTHA BEJAR**, 47, the former Corporate VP (Communications Sector), Microsoft, as Wipro's global sales chief. Bejar, who has also worked with telecom equipment maker Nortel, plans to create a streamlined sales structure and induct more domain experts to allow Wipro to get closer to the C-suite of its customers. A graduate of the Advanced Management Program at Harvard University Business School, Bejar is a regular golfer and works with initiatives to promote math and science in early childhood development. But it's her now role at Wipro that has her really excited. "Wipro continues to enjoy accelerated growth in this exciting and challenging market and its business is driven by people who are focussed on enhancing customer value, operational efficiencies and Green IT," she says. After pitching for large telecom contracts at Nortel and running a multi-billion dollar business at Microsoft, it's now Bejar's turn to devise a winning sales pitch for Wipro.

PRODUCT

The New Apple iPod Nano

Tata Motors found inspiration in the name, but the iPod nano gets quite a 'deluxe' makeover, featuring an FM tuner and (for the first time), a video camera. It is not the best camera in the world, but with the nano's increased storage and larger screen size, it should make for a few interesting recordings on YouTube. However, the entire iPod range continues to be priced at a significant mark-up in India compared to the rest of the world.

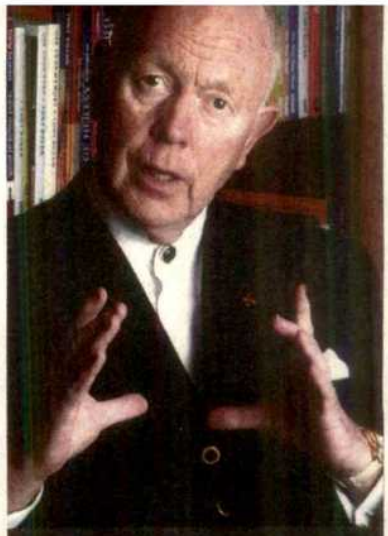
Available shortly for **Rs 9,400** (8 GB) & **Rs 11,200** (16 GB).

PLACE

Pietermaritzburg

The Champions Trophy cricket tournament is underway in South Africa. And if you are planning a trip to Durban or Johannesburg, be sure to stop over at Pietermaritzburg, just 80 km from Durban. This small town set amidst forested hills and rolling countryside of the Natal-Midlands is one of the world's best-preserved Victorian cities. It is famous for an incident early in the life of Mahatma Gandhi. In May 1893, a young Gandhi was thrown off the train here for refusing to vacate his first-class seat. Both the train station and the house from where Gandhi then began his movement against racial discrimination are museums today. Less than 15 km from the town is the Albert Falls sanctuary, where one can see the rhino, giraffe, kudu and waterbuck against the backdrop of the Albert Falls Dam.

CONTRIBUTED BY ANAMIKA BUTALIA, RAHUL SACHITANAND, KUSHAN MITRA, DHIMAN CHATTOPADHYAY & ANUSHA SUBRAMANIAN



TONY BUZAN

The Mind Champion

He has taught Microsoft founder Bill Gates to use his brain effectively. Little surprise then, the world listens in rapt attention when inventor of Mind Maps TONY BUZAN talks. Last fortnight, in Mumbai to conduct a seminar on development of leadership and change, he told managers: An MBA is just not enough to run a business in the times of recession. "Leaders now need degrees in business thinking and business intelligence," he says. Mind Map technique works towards unlocking the potential of the brain and is used as an instrument for strategic planning and marketing, project planning and project management. During his visit, Buzan, 67, also set up a licensed Buzan Centre in Pune. Worldwide, more than 250 million people use his invention. When he is not mapping minds, the prolific author writes poetry; he has written 4,000 poems till date. Next on cards is a new book, *Memory Championships*, a whole new version of mind mapping for the computer and coaching the Olympic athletes for 2012. Overwhelming workload? Trust the brain guru to come up with the perfect solution.

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S. 'KRIS' GOPALAKRISHNAN

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My leadership style

- ✔ Delegative
- ✔ Participative
- ☐ Authoritative
- ☐ All of them

The political leader I admire the most

Mahatma Gandhi.

The business leader I admire the most

Different leaders for different aspects of business.

The leadership lesson I remember best

Bring out the best in others so that they can succeed.

A book or movie I would recommend on leadership

Outliers by Malcolm Gladwell.

The difference between a manager and a leader

Leaders empower those around them and lead by example.

The worst thing a leader can do

Maintain status quo.

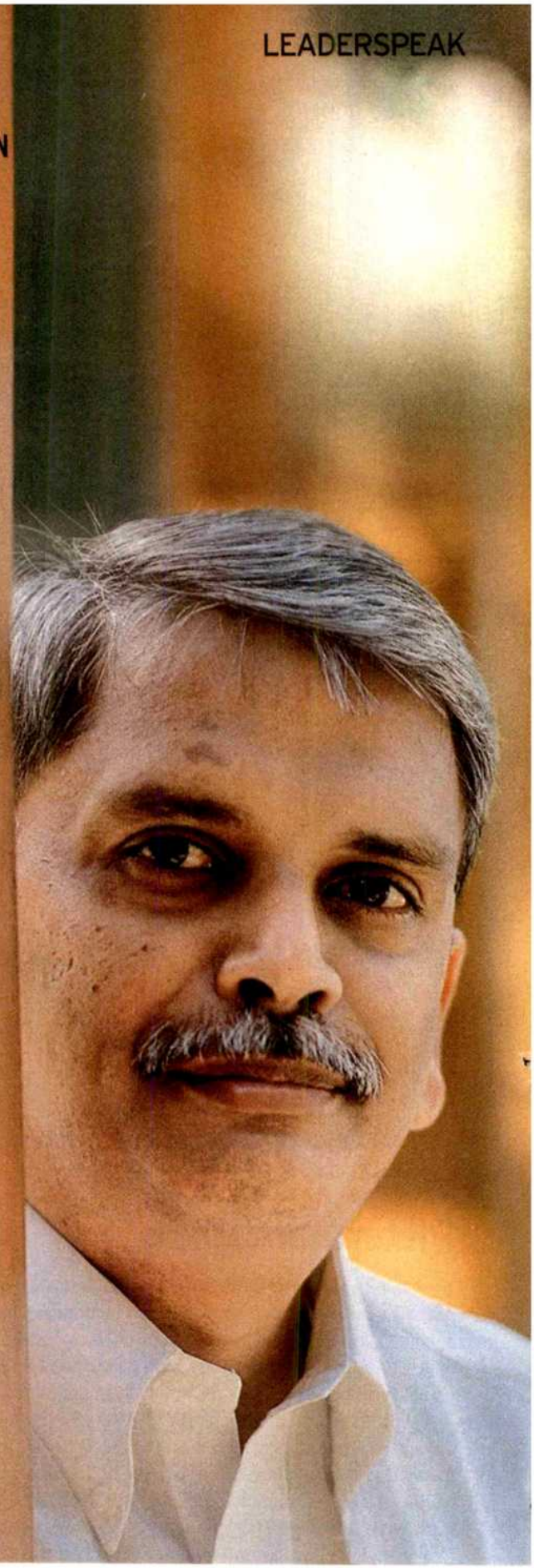
My biggest test as a leader was

Managing Infosys during the current downturn.

All good managers aren't good leaders

Yes.

As told to Rahul Sachitanand



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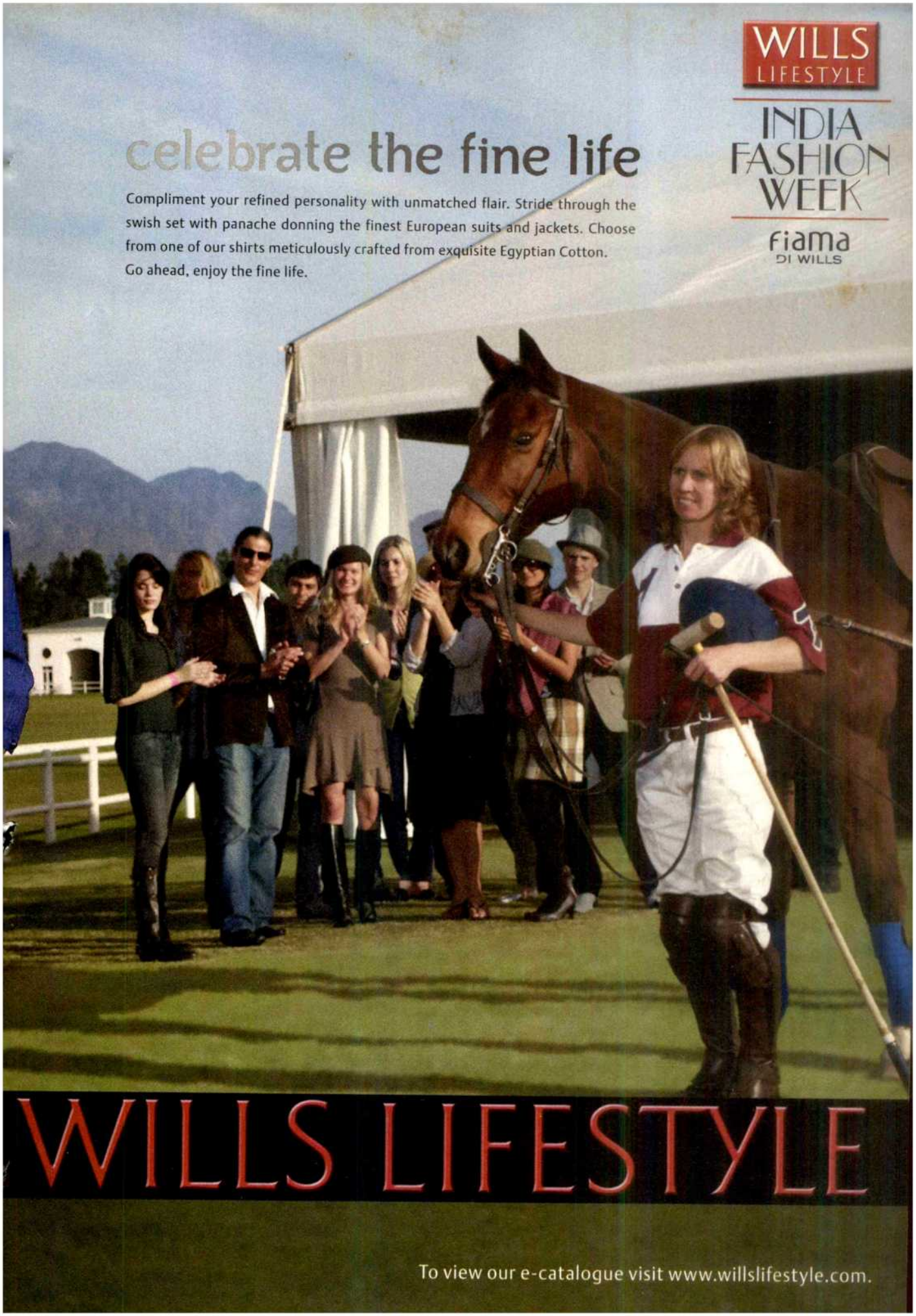
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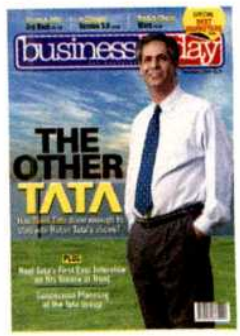
From the Editor



If the term one-man industry were to apply to anyone in corporate India, it would most appropriately be Ratan Tata. Not just because he heads the business group that is the country's oldest, most diversified and the most respected, but also because the Tatas occupy a unique mind-space among Indians. Ask anybody to name one industrial house of India and the top of the mind recall in most cases will be the Tatas. Along with all its financial might and enviable legacy, the Tatas' importance also lies in the fact that they are considered to be the first family of Indian business.

First family? Family? If that word strikes as odd in the context of the Tata Group, it's not without a reason. Unlike many other business houses, the Tatas never had problems with family succession—if they had a problem, it was that of finding a family member as a successor. That's why there is more than usual interest in the only other Tata in the group—Noel Naval Tata, Managing Director of Trent. The half-brother of Ratan Naval Tata and son-in-law of Pallonji Mistry, who controls roughly 18 per cent stake in Tata Sons, Noel is a quintessential Tata. He is self-effacing, follows a very simple—some would say boring—lifestyle and works very hard (six-and-a-half days a week). Yet, in a group as professionally managed as the Tatas, family name and hard work may be necessary, but not sufficient, conditions for the top job as the group chairman. *BT* spoke to the reclusive Noel Tata exclusively on a range of issues, including his passion—retail. See pg 38.

Fascinating as the stories of family businesses are, the tales of India's first generation entrepreneurs are also compelling—especially of those who are daring to go into businesses that the big incumbents didn't. One such example is Jignesh Shah of Financial Technologies—best-known for commodities exchange MCX. On pg 68, we present a blueprint of what Shah calls his emerging financial ecosystem, which will include small farmers in rural India as well as big financial centres of the world. There is a third interesting facet to India's business landscape: The growing presence of expat managers, some of who now run global businesses out of India. A prime example is Wim Elfrink, Chief Globalisation Officer, Cisco. On pg 86, we profile the man whose life at work and life after work are equally absorbing.

Rohit Saran

ROHIT SARAN

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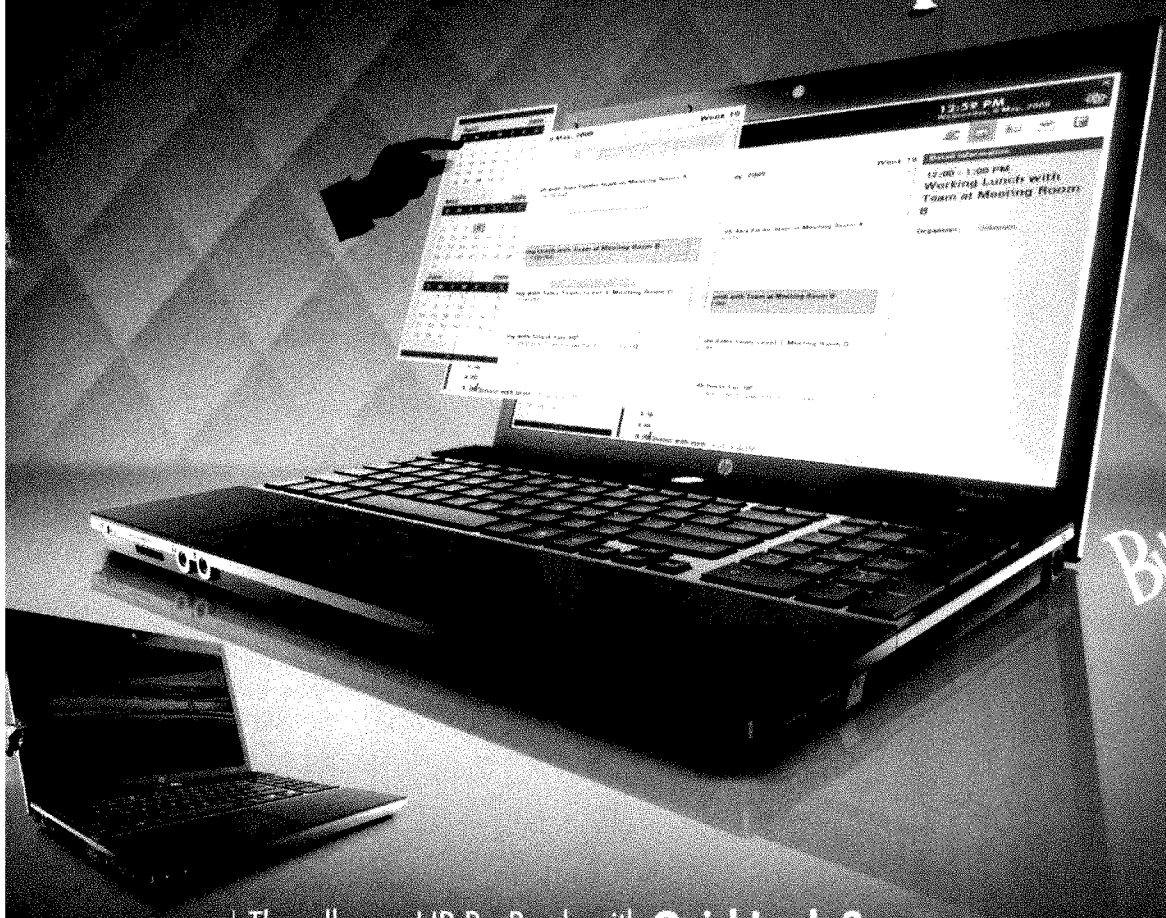

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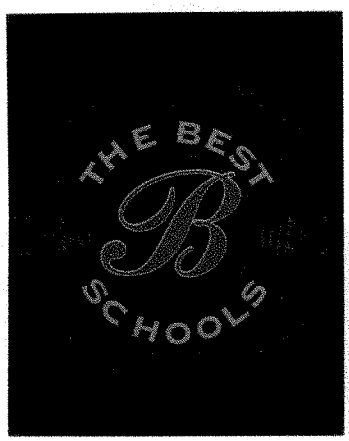

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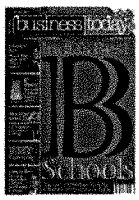

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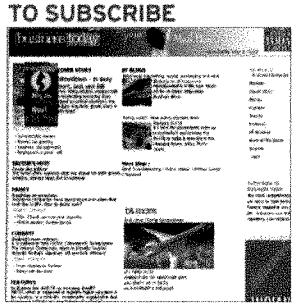

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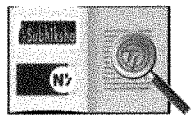

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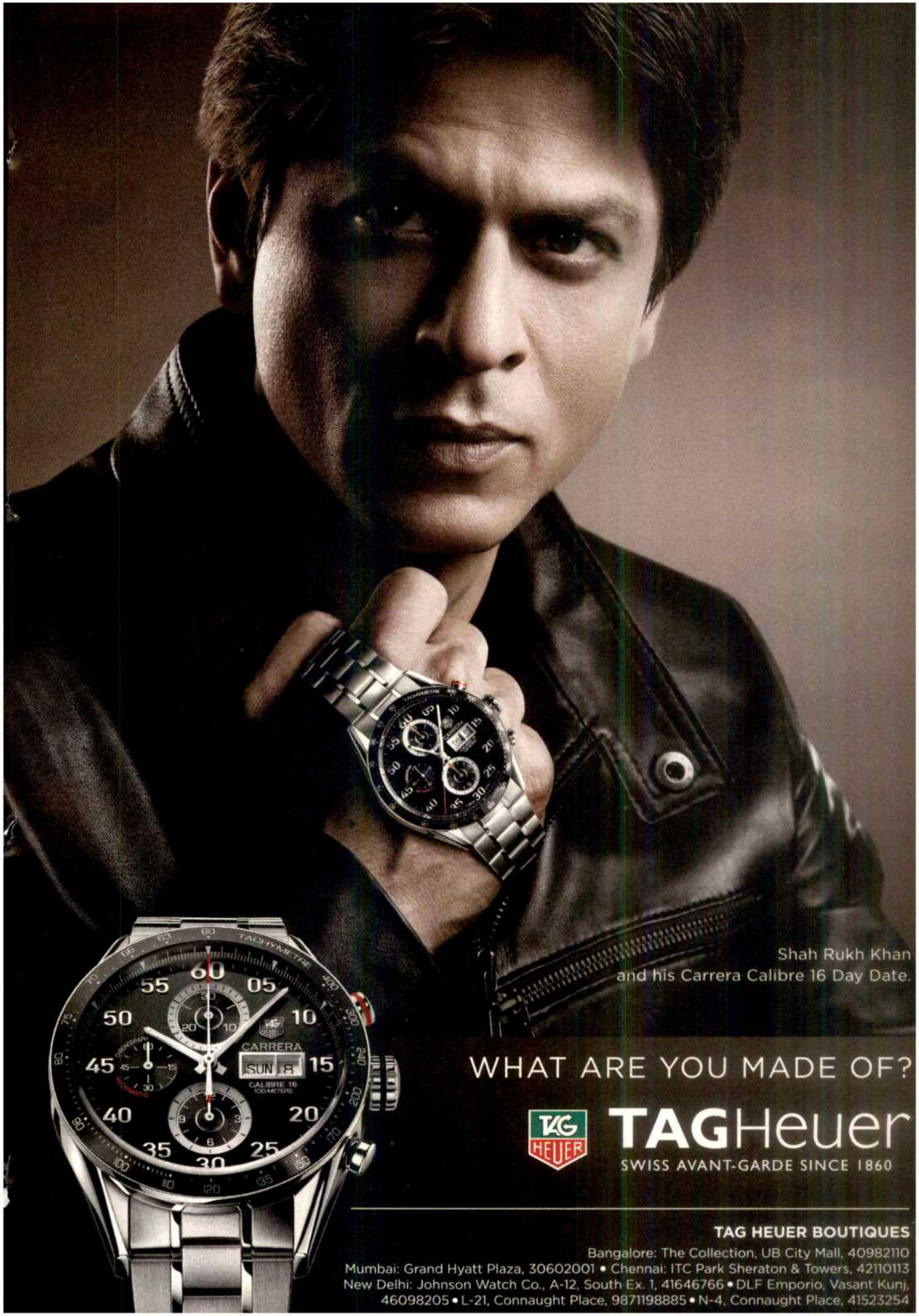

Shah Rukh Khan
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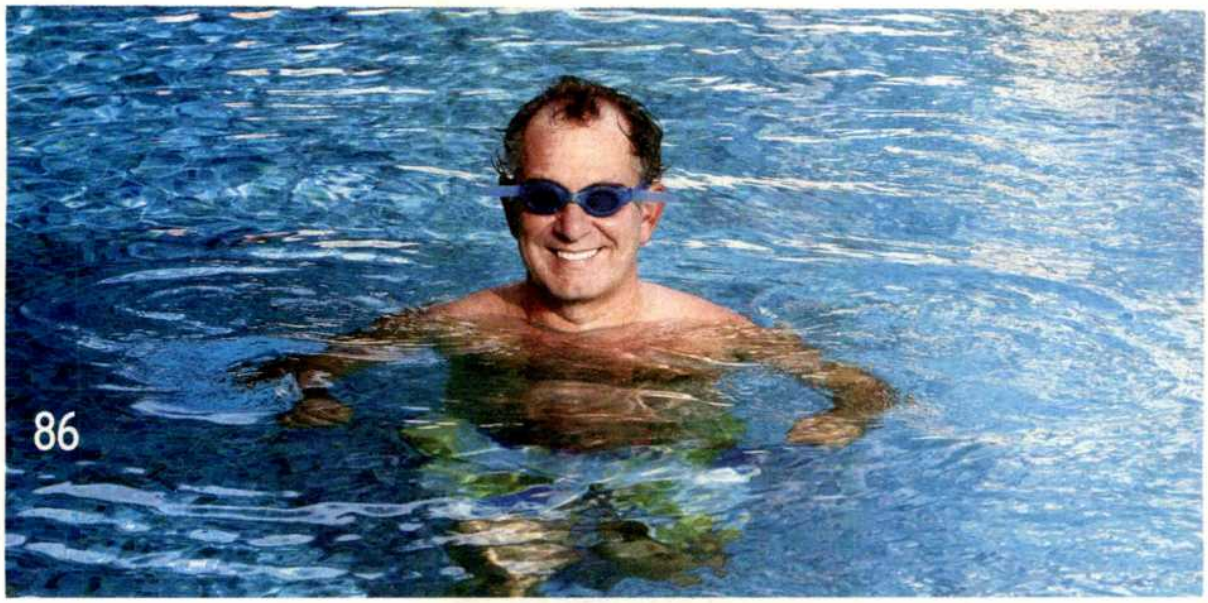

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Back with a Bang

The past two years have been particularly hard for the world's business schools. Campus recruitments took a hit, average salaries plunged and MBAs were no longer held as masters of the universe. But with business confidence returning, B-schools are back to regaining their mojo and their stock is in the ascendant. **Shashi Shekhar**, *Bangalore*

Pepping-up B-grads

B-schools teach management techniques to boost productivity, sales growth and return on capital. They also produce managers who are feted for their management practices and business innovations (*The Best B-schools*, BT cover, October 18). But in light of the recent financial convulsion worldwide, it's only appropriate that B-school graduates spend more time and effort learning to prick business bubbles, expose management fads and look more closely at the practices followed by leading banks and corporations. Fostering the virtues of business ethics, corporate social responsibility and principles of responsible management should be top of their agenda. **Alok Rai**, *Chennai*

Temper Business Education

In recent years, B-school graduates seem to have accepted far too readily the notion that clever financial engineering can somehow abolish risk and uncertainty. Such flawed notions bred in these schools have led to the birth of exotic financial derivatives responsible for causing the recent financial disaster. **Neeraj Thakur**, *Pune*

Auditing Scruples

It has now been proved conclusively that the onus for Satyam scam fell squarely on its management and auditors, PwC (*Satyam Is Not an Aberration*, BT, September 20). Any professional auditor with even a modicum of accounting acumen would have detected the scam. After all, the money involved—Rs 7,500 crore!—was not small and did not require reinventing the wheel to pick out the financial shenanigans. **Ashok Jayaram**, *Bangalore*

Clarifications

In *The Best B-schools* (BT cover, October 18), Symbiosis Pune, ranked No. 4 on our list refers to SIBM Pune.

With reference to *Baba Kalyani's Growth Engines* (BT, September 20), we wish to clarify that the Alstom JV mentioned in the story is not for wind turbines. Also, Mr Kalyani has not yielded majority stake in all the JVs.

Cutting Carbon Emissions

Countdown to Copenhagen (BT, September 20), marks out India's reluctance to make legally-binding commitments on reducing carbon emissions. But we can reduce carbon emissions even while putting it to good use. For instance, CO_2 emissions from the three gas-cracker complexes of the Department of Chemicals and Petrochemicals can be used as raw material for urea production or for enhanced oil recovery. **Y.R. Karnad**, *New Delhi*

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Who Will Decide CEO Salaries?

The shareholders, of course. The government can help by enforcing greater disclosure on the part of companies and higher literacy among shareholders. It must not dictate the salary, though. K.R. BALASUBRAMANYAM

Until recently, Union Corporate Affairs Minister Salman Khurshid made no bones about the fact that he wanted to end the practice of listed companies seeking government approval for a director's pay. "Let the shareholders decide how much they want to pay someone, though there must be disclosure, to us, to the shareholder, to the public at large," he had said.

But, if his comments provided cheer to corporate India, then the minister's dramatic U-turn in the first week of October gave it a rude shock. Khurshid has now trained his guns on CEOs, dropping broad hints at tightening the law to rein in "vulgar salaries". Under the present Companies Act, 1956, the remuneration of full-time directors cannot exceed 10 per cent of the company's

net profit as computed under Section 349 and 350 of the Act. One per cent of the net profit can be given away as commission to directors. The new Companies Bill, tabled in the Lok Sabha, however, seeks to do away with these caps on pay and allows even loss-making companies to pay remuneration as approved by shareholders. This would practically end the need for government approvals on director salaries.

The minister now says that the Parliamentary Standing Committee is examining the provisions of the new Bill and will take a view on the CEO salary. He has, however, made it clear where he stands on the issue. The Congress Party is unlikely to gloss over the matter especially when the message of austerity has emanated from 10, Janpath.

Khurshid sounds convincing when he refers to annual salaries and perks to the tune of Rs 50 crore for an individual, which, he says, is "more than 12,500 times the per capita income in India". But the weapon he is likely to use to rein in the practice—a piece of legislation—may do more harm to India Inc. than good, feel observers. This is not to say he should wash his hands off the controversial subject, but he must limit himself to strengthening shareholders rather than taking over their role. His ministry can, for instance, force companies to display far greater transparency in the award of salary, perks, commissions etc. His government agencies, if resources permit, can initiate shareholder education programmes and teach investors how to read the fine print in a company's documents that are in the public domain. Once enlightened, the shareholders will do what the minister intends.

Nonetheless, it is also true that India Inc. faces a huge shortage of competent managers who can take firms to greater levels of profitability. If the post-liberalisation era saw corporate India unleash phenomenal entrepreneurial development and explosive growth in GDP numbers, it was in no small measure spawned by these top guns, who are now, ironically, the subjects of attack.

Corporate India can collectively respond to the outcry against obscene salaries. Men like N.R. Narayana Murthy are quite candid and admit that some form of salary corrections are needed. How can it help matters, though? One: by voluntarily tempering the compensation package of its top executives so that CEOs can hold their heads high and announce their salary to shareholders, rather than hide the figures in the tome called annual reports. Two: by encouraging its senior executives to do ISR—individual social responsibility—and return a part of their earnings to society and help those who are under eternal austerity.

GOVT SHOULD:

- **Ensure** greater transparency in award of salary and perks.
- **Initiate** shareholder education programme.

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LinkedIn members in India will soon have a platform where they can physically meet up. **Jeff Weiner,** CEO of the online networking site, revealed this and a lot more on a recent visit to India.

- LinkedIn has a membership of **48 million** members, with a 50-50 split between the US and international members. The site should cross 3 million members in India by the time you read this.
- LinkedIn is reaching out to a **more diverse membership,** trying to attract new professions beyond information technology workers and management consultants who use the service aggressively.
- In India, LinkedIn is looking at starting **'LinkedIn Live'** events, where LinkedIn members can interact in real life, by sometime next year.
- And finally, LinkedIn is already selling **advertising space** in India and plans to sell itself more aggressively once it hires a country manager. India will then be LinkedIn's third country operation outside the US and the UK.

KUSHAN MITRA

Now Grades for Stocks

If you are looking for an independent assessment of a company's equity shares before investing, then rating firm Crisil may have a solution for you. The firm's new product—Independent Equity Research—aims to help investors make better decisions by grading companies on their fundamentals. "The objective is to have more coverage on mid-cap and small-cap companies that don't have equity research coverage," says Roopa Kudva, Managing Director and CEO, Crisil. Potential users, such as fund managers, say this will help them as well. "We have to read between the lines when analysing the sell side (brokers) recommendations and Crisil will fill the gap," says Nilesh Shah, Deputy Managing Director, ICICI Prudential Asset Management Company.

Grade	Fundamentals	Valuation
5/5	Excellent	Strong upside; over 25 per cent rise from current market price
4/5	Superior	10-25 per cent upside from current market price
3/5	Good	+/-10 per cent from current market price
2/5	Moderate	10-25 per cent downside from current market price
1/5	Poor	More than 25 per cent downside from current market price

Benefits of Independent Equity Research

- Brings new investors to stock market.
- Helps good small- and mid-cap companies raise capital.
- Improves research report quality by broking firms.

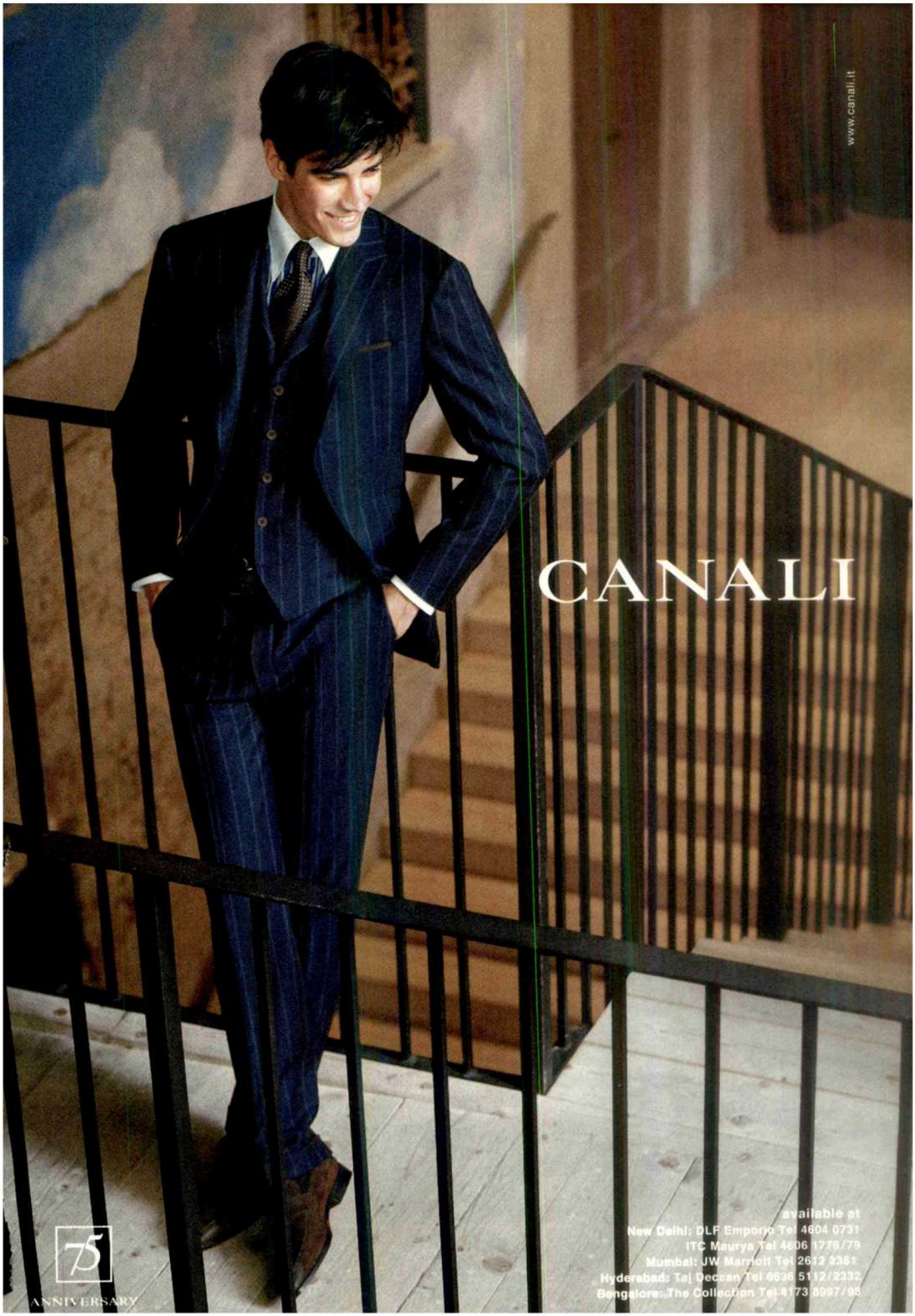
The new product will also help access to capital for high quality small- and mid-cap companies. Sometimes due to unavailability of information, investors don't invest in stocks of smaller companies despite good fundamentals. This in turn also makes it difficult for such companies to raise funds through equity. "Independent research will be a reality check for us. We will be able to know from an outsider what problems we have," says Navpreet Singh, Joint Managing Director, Dolphin Offshore Enterprises India, a niche player in off-shore support services for oil & gas sector.

Crisil will charge for the research from the commissioning firm and make the report public if the research is commissioned by the company. In case of a fund house or an investor, it will depend on the agreement.

However, after the subprime crisis, rating firms themselves have been under the scanner. To overcome fears, Securities and Exchange Board of India (SEBI) Chairman C. B. Bhave suggests that Crisil should mention each time who has commissioned the research.

VIRENDRA VERMA

Roopa Kudva, MD & CEO, Crisil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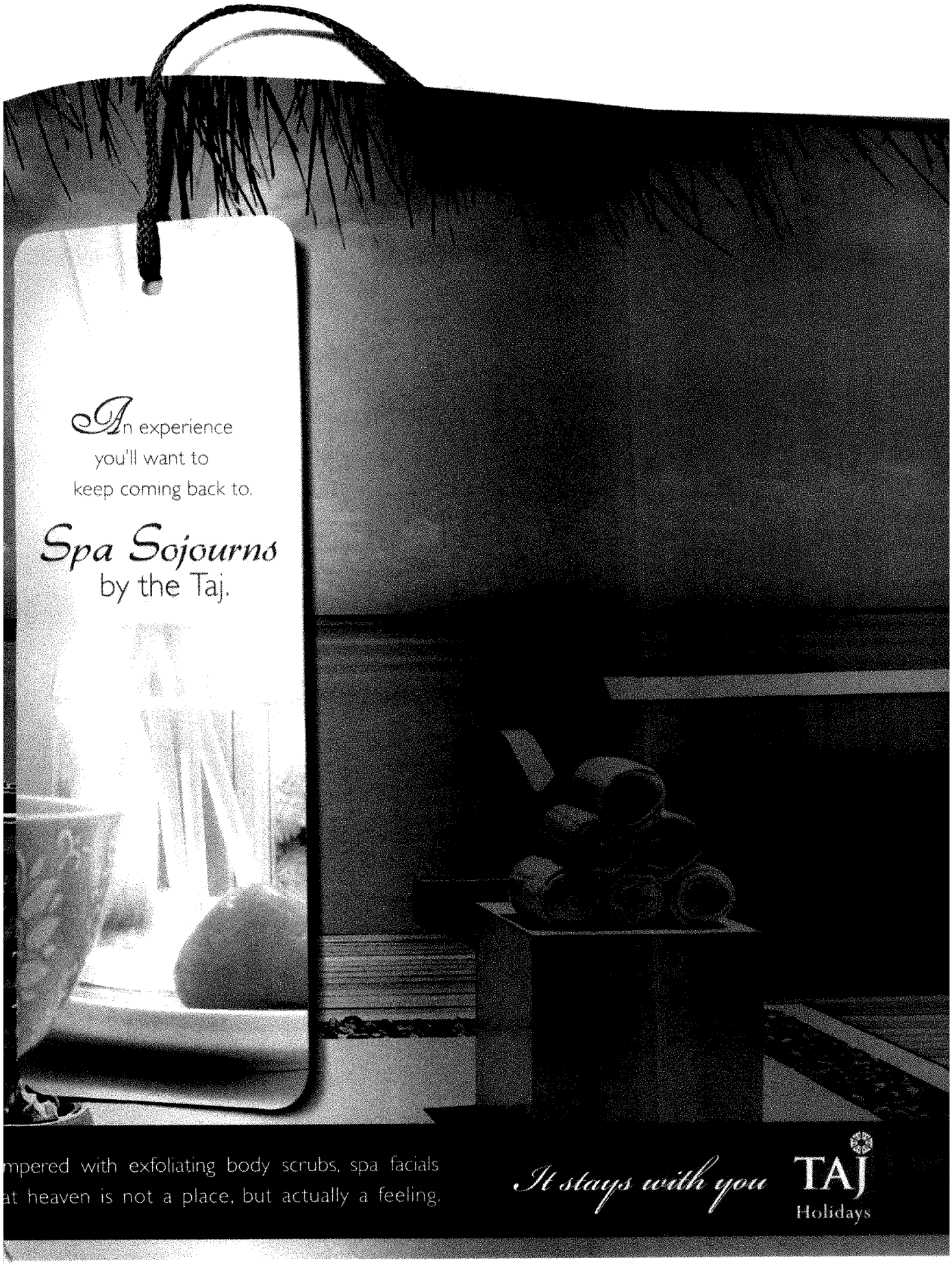

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ILLUSTRATIONS BY RAMEN SARKAR

Can a Husain Make You a Pauper?

If you are expecting high-value gifts from friends and associates, this festive season, here's some bad news. The generosity of your well-wishers can burn a hole in your pocket. This year's Budget has made certain non-cash gifts taxable.

Gifts received from specified relatives and on certain occasions are not taxed but there's an annual limit of Rs 50,000 on gifts. From October 1, 2009, certain non-cash gifts have also been made taxable. If a person gets gifts worth more than Rs 50,000 in a year, the entire amount is to be added to his income for that year and taxed at the applicable rate. In the highest tax slab, a painting worth Rs 1.5 lakh could push up the recipient's tax liability by Rs 45,000.

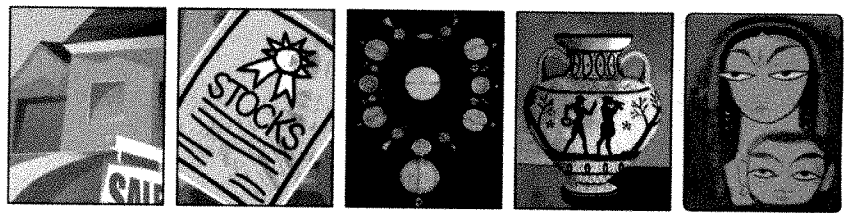
The amended rules say that the fair market value of the gifts will be added to the recipient's taxable income. This poses a problem. While the value of listed shares and jewellery can be ascertained, it is difficult to determine the true fair market value of unlisted shares, archaeological collections and works of art. "This could lead to disputes between the taxpayer and tax authorities," says Neeru Ahuja, Partner, Deloitte India.

BABAR ZAIDI

GIFTS FROM THESE RELATIVES ARE NOT TAXABLE

- **Spouse**
- **Parents**
- **Siblings of self and spouse (and their spouses)**
- **Siblings of either parent (and their spouses)**
- **Lineal ascendants or descendants of self and spouse (and their spouses)**

WHAT WILL BE TAXED

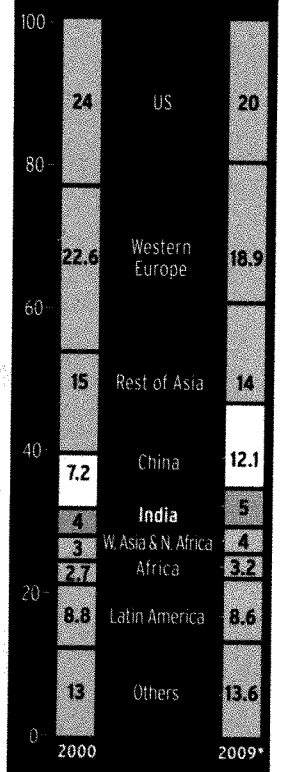


- **Property:** **Stamp duty** to be used to value property.
- **Shares:** Value of **listed shares** is clear, but unlisted shares are tricky.
- **Jewellery:** Fair **market value** of the item will be used to value the gift.
- **Artifacts:** Determining the value of an antique is prone to **subjectivity.**
- **Works of art:** Another tricky area. It's **not easy to value** a work of art.

FIGURE IT OUT

% Share of Global GDP

*IMF Estimates
Source: IMF World Economic Outlook Database April 2009



The global economic crisis has hastened the inevitable: China and India's march towards grabbing a larger share of the global GDP pie. By the end of 2009, India is set to overtake Africa and West Asia and China's GDP will be 50 per cent higher than the combined power of Latin America and the Caribbean Islands.

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interiors,
now on
the road.
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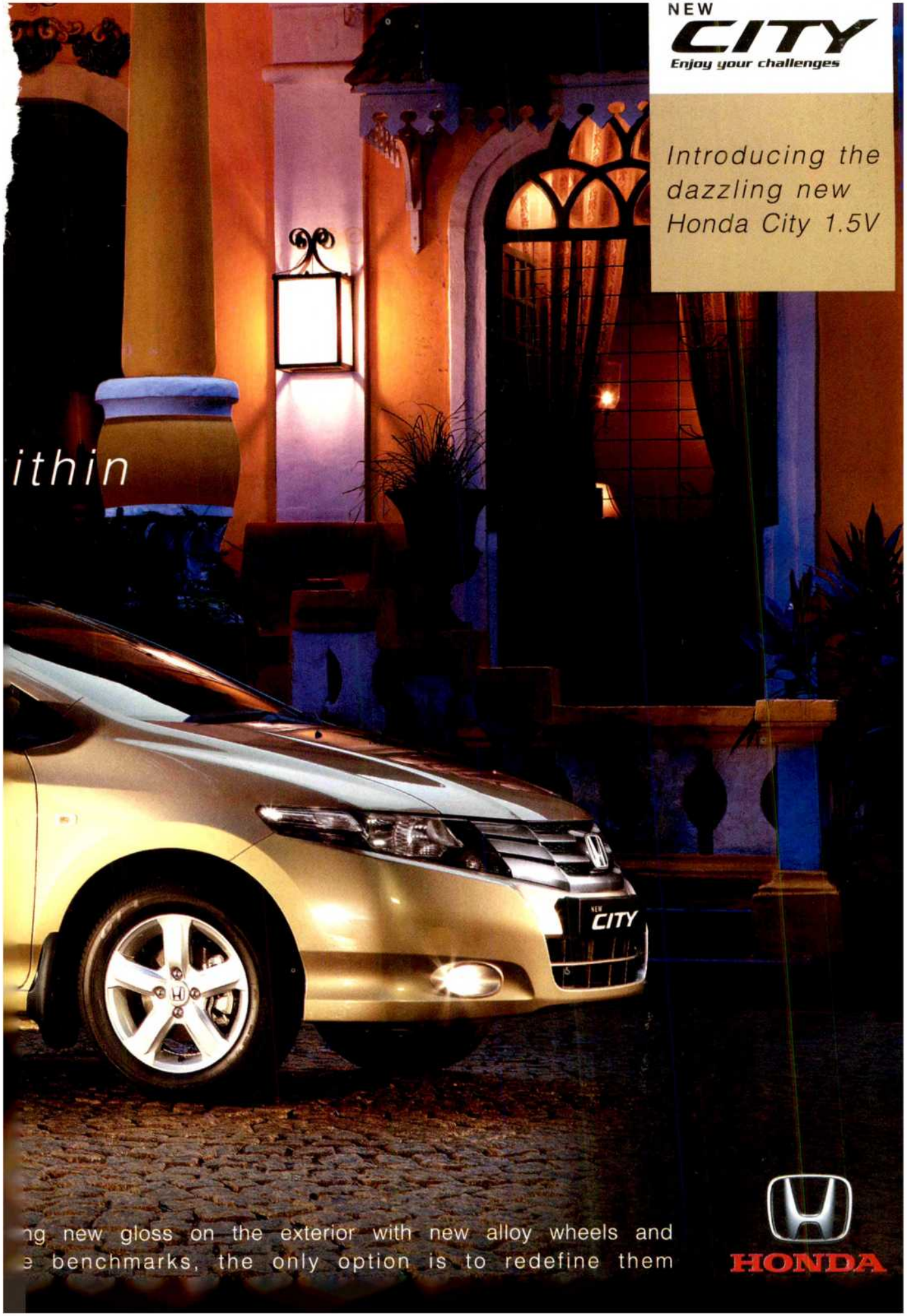
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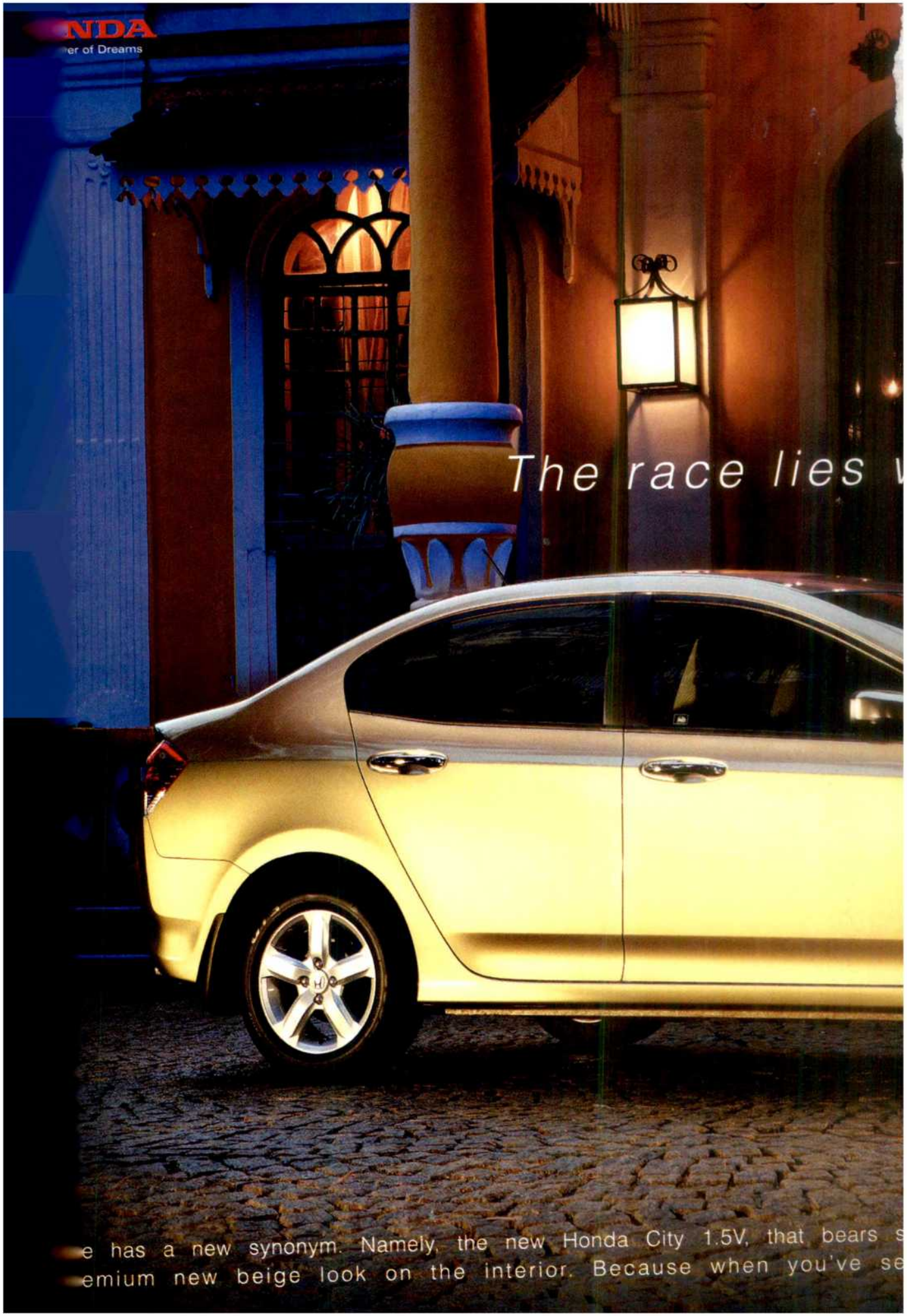
NDA
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The race lies
e has a new synonym. Namely, the new Honda City 1.5V, that bears s
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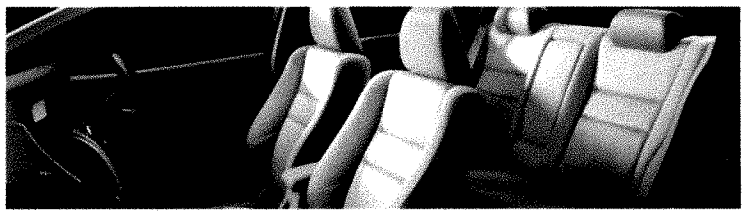

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Imagine opening a website, keying in a few search terms and presto! You are on the page of a rival website. Users may not mind such an occurrence, but the website in question surely will. That's exactly what happened recently when Consim India, owners of bharatmatrimony.com and indiaproperties.com, petitioned the Madras High Court against Google.com for "infringing" on its trademark. In its petition, Consim said Google ads were being used in Bharat Matrimony's platform to sell space to the latter's competitors. For instance, if a user keys in "Tamil matrimony" in the Google search field on Bharat Matrimony, the websites thrown up include competitors such as shaadi.com.

According to cyber law expert Pavan Duggal, Google Adwords has been the subject of different litigations in the US as well. The thrust of the subject matter in those cases has been Google's supposed infringement of the trademark of third parties. "In some cases, Google has been able to show that its usage of trademarks in Google Adwords does not constitute any confusion. However, different cases have different facts," says Duggal.

- **Bharat Matrimony** says Google is using the former's website to sell space to competitors.
- Google has faced **similar charges** in the US.
- **Companies can guard** against similar situation by telling Google to exclude their trademarks from Google Adwords.

Legal experts say the court will have to examine whether Google has used a mark that is deceptively similar to the trademark of Bharat Matrimony. It will then be imperative for Google and the others involved to demonstrate that the usage of the trademark is in accordance with honest practices in industrial and commercial matters. According to Duggal, companies can guard against such situations by writing to Google to specifically exclude their registered trademarks from the ambit of Google Adwords. "If even after that there is no response, and a case is made out for infringement of registered trademark, then the company could take appropriate legal steps," he says.

SHAMNI PANDE

WORDSMITH
(NEW WORDS IN BUSINESS)

Freemium

What: A business model where 90 per cent customers receive a company's basic products and services for free, and the other 10 per cent choose to pay for advanced, special features.

Where: American venture capitalist Fred Wilson coined the term in 2006. He described the model and asked readers for suggestions of what to call it; Jarid Lukin, from one of Wilson's portfolio companies, came up with the winning "freemium."

Why: According to *Wired* Editor-in-Chief Chris Anderson, freemium has become a hugely popular model with Web 2.0 companies like Flickr, LinkedIn and Skype. The model works because the cost of serving the majority of non-payers is so close to zero, thanks to technological advances, that online companies still make a profit from the paying minority.

RAMEN SARKAR

Q Are you considering investing in a property now?

5% Can't Say

Results of *BT* Online poll: No. of respondents: 347

There's still a bubble in the property market across the country. I will wait for some more time till further corrections happen. As far as income levels are concerned, the downturn hasn't affected us much in the last one year, but market sentiments are still negative.

Suresh Vedula,
Director (Sales),
Nokia India

Residential property prices are showing signs of revival in the last couple of weeks. Positive signals coming from different quarters across the country indicate that there will be no more tanking in the prices. I would certainly buy into property which is nearing the completion, i.e., where 60-70 per cent of the construction is already done.

Anshul Jain,
CEO (India), DTZ International Property Advisers

Will you opt for mobile number portability once it comes into force?
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COMPILED BY MANU KAUSHIK

BPLR Out, Base Rate In

In its annual policy in April 2009, the RBI had admitted that the system of Benchmark Prime Lending Rate (BPLR) has lost its relevance as a meaningful reference rate as the bulk of loans is priced below BPLR. In its place a new base rate could soon be introduced.

The concept of BPLR was introduced in November 2003 for pricing of loans by commercial banks with the objective of bringing in transparency in corporate, home, auto and other loans. The rate included the cost of funds (deposits), operating expenses and a profit margin.

So, what is the problem? The majority of banks' lending is taking place below the BPLR set by them. To solve this problem, one option the RBI is considering is to replace BPLR with a new base rate. Today, the bulk of lending is linked to a floating rate where the bank has freedom to reset the interest rate as and when the environment changes. A change could mean adopting a method similar to the LIBOR rate, or the London Inter-bank Offered Rate, as a benchmark for pricing floating rate loans. This method is currently used by many countries.

Base Rate=Lower Rate

Commercial Bank	BPLR	Likely Base Rate*
SBI	11.75	8.0–9.25
ICICI	14.75	9.25-11
Axis	14.75	8.75-9.25
BoB	12.0	8.50-9.25

Likely Base Rate* : Rate equivalent to bank's 5-year floating home loan rate — All figures in per cent

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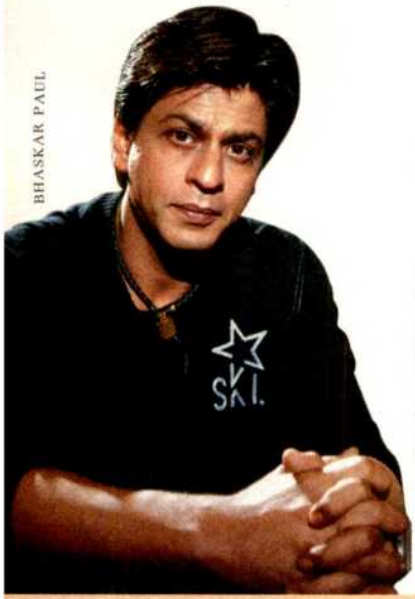
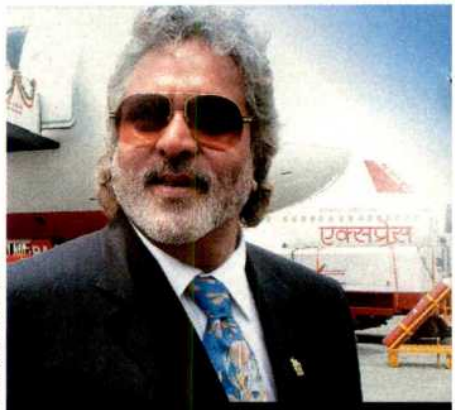


BHASKAR PAUL

"Brand building stands for basic truth that your grandma told you: work hard, be simple, keep it simple, have fun and make the organisation feel it was value for money"

Shah Rukh Khan
CEO, Red Chillies Entertainment, in The Times of India



SHEKHAR GHOSH

"Our losses are no longer sustainable. It costs us more to fly than to stay on the ground"

Vijay Mallya,
Chairman, Kingfisher Airlines, to Agencies

"In this fundamental economic reset, innovative technologies will play a vital role in driving productivity gains, enabling the creation of local businesses and highly skilled jobs that fuel economic recovery"

Steve Ballmer, *CEO, Microsoft, to* Agencies

BHASKAR PAUL

"Twenty years from now, people will not talk about garages in Silicon Valley, but projects in Indian villages and rural areas that will be scaled up"

Mukesh Ambani, *CMD, RIL, in* The Economic Times

RACHIT GOSWAMI

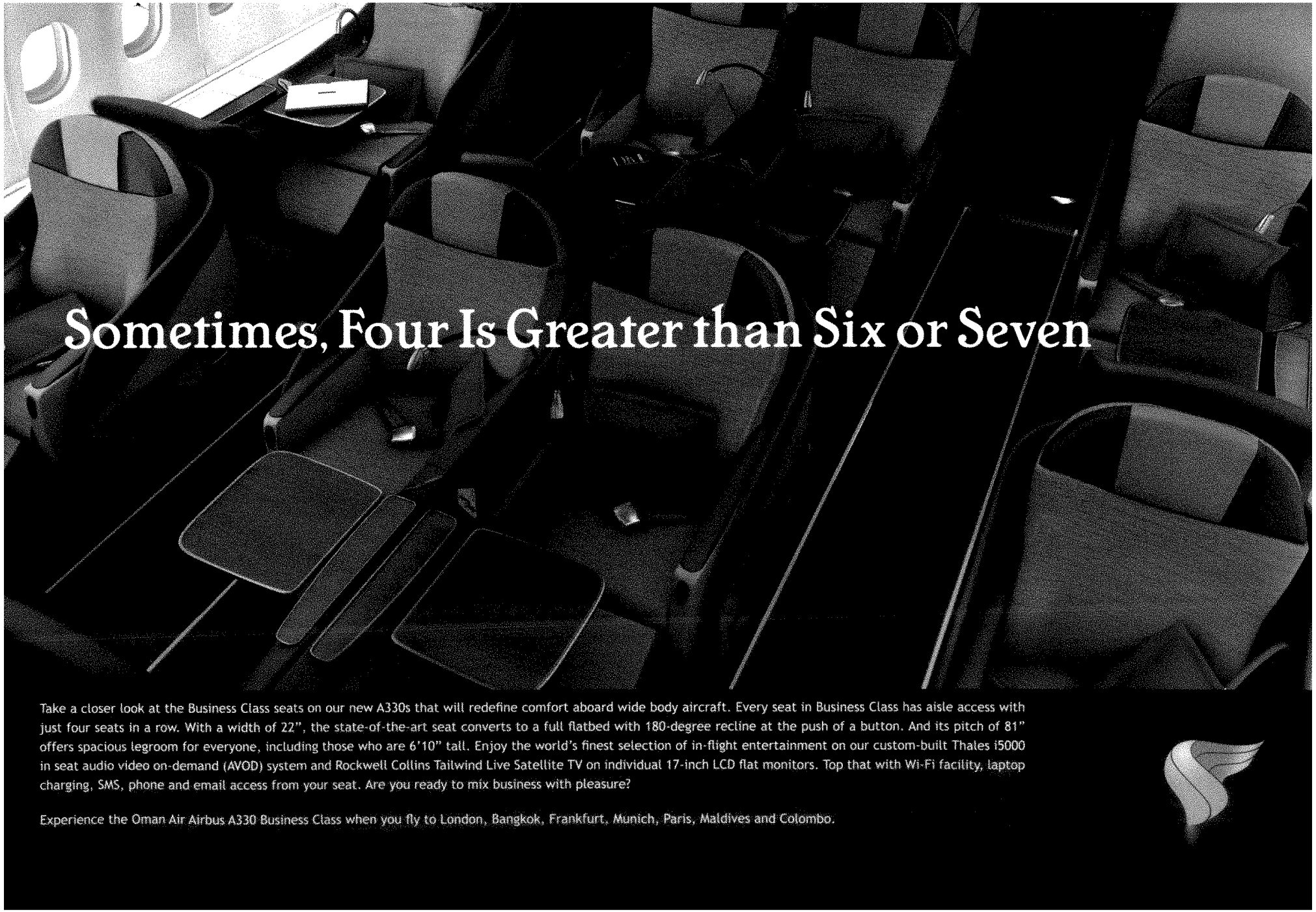
"You see, it's no rocket science. If India has to grow at 9-10 per cent, there has to be a much larger investment in infrastructure"

Chanda Kochhar, *MD & CEO, ICICI Bank, in* Business Standard

CLASSIC BUSINESS QUOTE

What you have to do and the way you have to do it is incredibly simple. Whether you are willing to do it is another matter.

Peter F. Drucker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NYSE Euronext operates the world's most diversified exchange group with exchanges located in the US and Europe. **Lisette Spaanbroek,** *Managing Director, Listing, NYSE Euronext, speaks to* **Rishi Joshi** *on why the group is now aggressively courting Indian companies, including the SMEs. Excerpts:*

How important is India for the NYSE group?

India is a big focus area for us. We are trying to explain to Indian companies why our menu of exchanges is the ideal platform for them for an international listing. In India, we have observed there is little awareness about the Euronext brand and we want to change that. In fact, using our platform companies listed on NYSE can also go in for a fast path cross-listing in Europe on NYSE Euronext. The US SEC documentation satisfies vast majority of EU requirements.

You are also approaching Indian SMEs to list on your exchanges. What has been the response?

A lot of the smaller Indian companies have shown interest in listing on NYSE Euronext exchanges. Besides directly interacting with the SMEs, we are now talking to several intermediaries like industry bodies and law firms to spread the message. A listing on our platform gives a company a global profile. Beside many Indian companies are aggressively going in for global mergers and acquisitions (M&AS) where stock can be used as currency.

There is a perception that NYSE Euronext exchanges are preferred by the old economy companies.

Our international franchise includes companies from a diverse set of industries, including telecom, technology, financial services, pharma and energy sectors. We offer Indian companies deeper liquidity, higher valuation and broader research coverage compared to other exchanges like Nasdaq and LSE.

NUMBERS OF NOTE

$167 mn

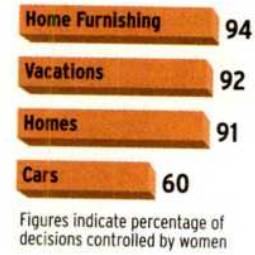
The estimated worth of Indian gaming industry in 2008. This is expected to touch $830 million by 2012, according to NASSCOM.

30%

The percentage of executives (out of 2,742 surveyed) who feel Indians are among the most corrupt, when doing business abroad, according to Transparency International India.

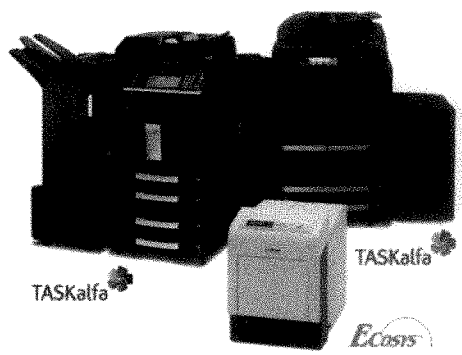
$20 tn

The amount of money women have total control over globally, according to Boston Consulting Group.



Figures indicate percentage of decisions controlled by women

At Kyocera Mita we believe in "Customer First", creating true customer satisfaction by providing the greatest value through all business cycles.
With Kyocera Mita this approach takes the tangible forms of our printer brand "ECOSYS*" and the multifunctional system brand "TASKalfa."
Our printers and multifunctional printers, meeting the demands of cost, ecology and performance, won 2009 BERTL's BEST Awards in a total of 10 categories.
In addition, the TASKalfa 500ci series won five stars - the highest rating - proving the high reliability of Kyocera's technology. We continue our unending pursuit of value and reliability, and so remain the best partner for our customers.



* Kyocera's acclaimed concept of environmentally-friendly products.

International recognition

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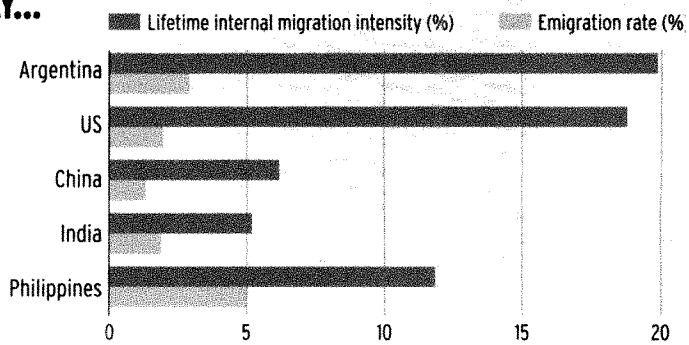
THUMBS UP FOR Migration

Most migrants, internal and international, reap gains in the form of higher incomes, better access to education and health, and improved prospects for their children, observes the United Nation's Human Development Report 2009. Here's a look at why moving cities and even countries almost always works to your advantage. DHIMAN CHATTOPADHYAY

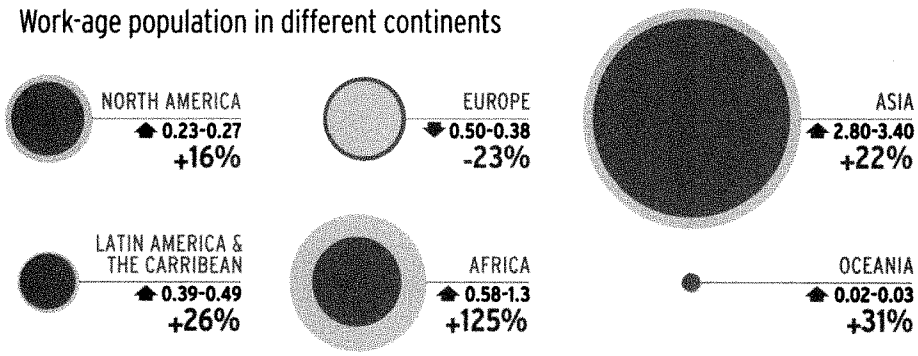
1 MORE PEOPLE MIGRATE INTERNALLY...

- An overwhelming majority of people who moves do so within the borders of their own country, even in countries like India and China.
- There are about 740 million internal migrants in the world–almost four times as many as those who have moved internationally.
- Only 37 per cent of migration in the world is from developing to developed countries.
- A reason why there is not more movement from developing to developed countries is that it is costly.



2 ... BUT CROSS-BORDER MIGRATION WILL PICK UP...

Work-age population in different continents

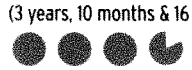


- Current forecasts are that the world's population will grow by a third over the next four decades.
- The global working-age population is expected to increase by 1.1 billion by 2050, whereas the working-age population in developed countries will decline slightly.
- Asia will have 3.4 billion work-age people and many are expected to migrate to Europe, where there will be a 23 per cent decline in workforce between 2010 and 2050.
- These demographic trends argue in favour of relaxing the barriers to the entry of migrant labour.
- Such increased migration to developed countries is expected to benefit migrants as well as the destination countries.

Cost of moving is high, but it eventually pays off

Bangladesh to Saudi Arabia
(5 years, 2 months & 3 days)

China to Australia
(3 years, 10 months & 16 days)



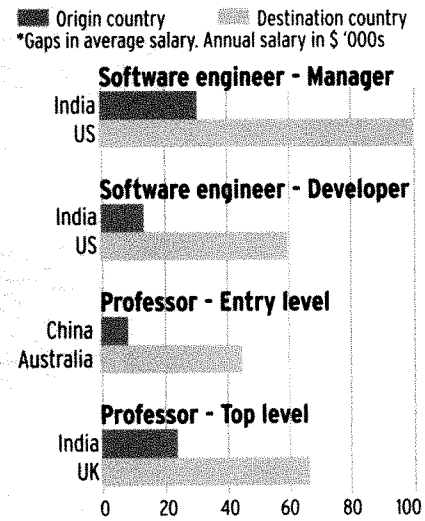
India to UK (1 years, 3 months)

● Origin country annual per capita income

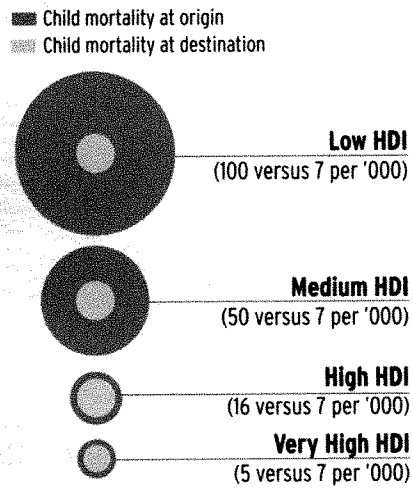
3 ... BECAUSE MIGRATION BENEFITS ALL

- Indian techies till recently earned 30 per cent less than those who had moved to the US.
- Moving to developed countries improves access to health facilities and sanitation.
- There is a 16-fold reduction in child mortality for movers from low to high HDI countries.
- In a poll, 84 per cent migrants said they were happy, and 72 per cent felt healthier.

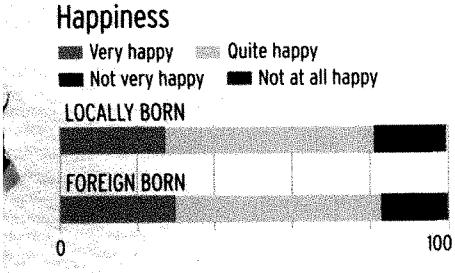
Income



Child mortality



Happiness



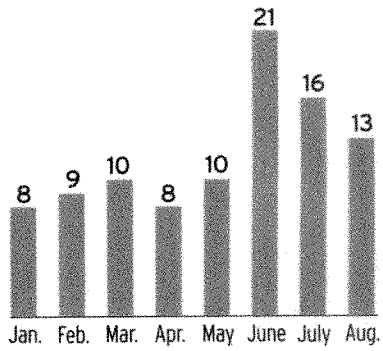
The Deals Are Back!

The markets saw a strong recovery in September. But there has been a stronger recovery of sorts in the mergers and acquisition arena prior to that. Many of us may have misread that as a sign of fishing in the waters of the downturn. In hindsight, it seems that these M&A activities that revived since May-June reconfirmed the India story much before the stock markets did.

So, what seems to have led to the spurt in deals? Vaibhav Manek, Partner, KNAV, which conducted a study of M&A deals in 2009, says: "I sense a new confidence among Indian companies and CEOs to go ahead and do new deals—buying companies all over the world. It is important as valuations are still low. However, European economies are showing signs of growth and the US is much more stable now. It applies for incoming deals too as valuations in India will move up fast and this is the right time to buy."

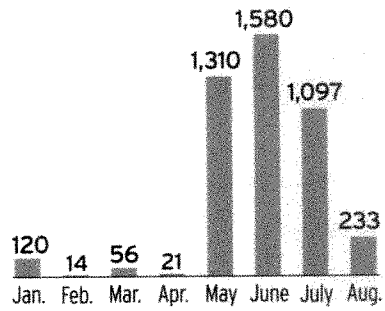
SUMAN LAYAK

Number of M&A Deals in India in 2009



The first two weeks of September has already seen 12 deals. The spurt since June is clearly visible.

Value of Deals in 2009 ($ mn)



In the first half of September 2009, the value of deals has crossed $300 million. In value, there is a clear pick-up from May. Source: KNAV Advisors

☑ Coromandel ☒ Fertiliser

Yet another Indian agri business company has turned solution provider. Coromandel Fertilisers, the biggest contributor to the Murugappa Group's annual turnover, has just reinvented itself as one, even undergoing a re-branding exercise to drive home the point. "Coromandel International (that is how the company is now called) is now a solution and service provider to the farmer and has got into retail as against a pure play MRP fertiliser producer," says A. Vellayan, Chairman of the company.

The company is offering farmers solutions that include soil testing, guidance in adopting newer applications and cost and other time-saving solutions. Coromandel plans to invest Rs 1,000 crore over two years to build its manufacturing capacities and for investments abroad.

E.KUMAR SHARMA

WHAT COROMANDEL OFFERS

- Recommendation based on soil testing.
- Advice on usage and timing of fertilisers.
- Guidance in adopting new applications.
- Advice on usage of water soluble fertilisers.
- 410 retail outlets sell products.

BT-ERNST & YOUNG

DEAL WATCH

Biggest deals in the past 30 days*

Jindal Steel & Power Ltd. is on a major expansion drive. Following the proposed acquisition of Rocklands Richfield (Deal #4), JSPL may gain access to the company's China-based metallurgical coke-manufacturing facility, and three coalfields in Australia. For Rocklands Richfield's shareholders, the deal offers good valuation at a 35 per cent premium over the current market price.

TARGET	ACQUIRER/INDUSTRY	TYPE	DEAL VALUE (Rs crore)	STAKE (%)
Aricent Inc.	**CPP Investments, KKR & Co**/Technology	Private Equity	1,227.4	N.A.
Oil India	**Indian Oil Corporation**/Oil & Gas	Investment	1,121.9	5
Mohtisham Estates	**Oman Sovereign Fund**/Real Estate, Hospitality & Construction	Private Equity	620	50
Rocklands Richfield	**Jindal Steel & Power**/Metals & Mining	Acquisition	469.9	100
BP Energy India	**Infrastructure Development Finance Corporation**/Infrastructure	Acquisition	462.2	100
Anchor Electricals	**Panasonic Electric Works**/Industrial Products	Acquisition	461.6	20
Uttam Galva Steels	**ArcelorMittal**/Metals & Mining	Open Offer	402.1	29.4
McNally Sayaji Engineering	**EIG Investments**/Industrial Products	Private Equity	240	5
US Rights for Antara Fenofibrate Capsules	**Lupin**/Pharmaceuticals	Acquisition	185.5	100
Maytas Infra	**ILFS and others**/Infrastructure	Open Offer	132.9	20

Ernst & Young is a leading M&A advisor in India. While every care has been taken to compile this data, it is based on media reports, company announcements and other secondary research. Any decision on the basis of the above mentioned information should be taken only after professional advice. Business Today *or Ernst & Young do not undertake any responsibility in regard to any such decision Includes only M&A, private equity and brand sale transactions *As on September 30, 2009 Not a complete list*

"Small Businesses Are Most Underserved"

On December 31, 2008, Dell revamped its business structure, moving from a region-focussed model to focussing on key customers across large corporations, government and small businesses. The last segment may offer Dell plenty of growth opportunities, **Steve Felice**, *chief of its small and medium business (SMB) unit, tells* **Rahul Sachitanand**. *Excerpts:*

What is the market opportunity in small businesses?

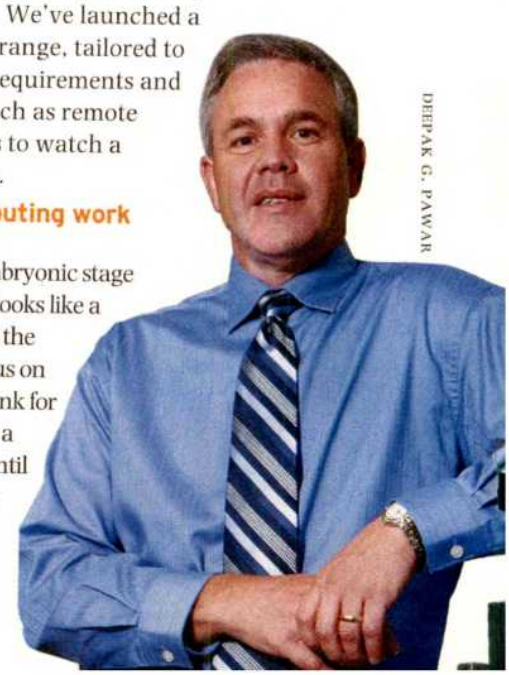
The SMB market is one of the most underserved parts of the market. It is fragmented, with over 70 million companies, but collectively they spend more on technology than any other sector. According to market researcher IDC, total SMB spending is expected to grow from $510.7 billion in 2008 to $675.1 billion in 2013.

How are you chasing this opportunity?

The small business market is more than just low-cost products. SMBs want assistance in making IT simpler and they want comprehensible product packages, which are easy to install and maintain. We've launched a series called the Vostro range, tailored to this segment's specific requirements and we also offer services such as remote monitoring to enable us to watch a small business' IT assets.

How does cloud computing work for SMBs?

I think we're still in the embryonic stage of software as a service. It looks like a compelling offering, but at the same time SMBs are cautious on new forms of IT usage. I think for the moment they will take a more hybrid model to IT, until they get more comfortable with working off the web.



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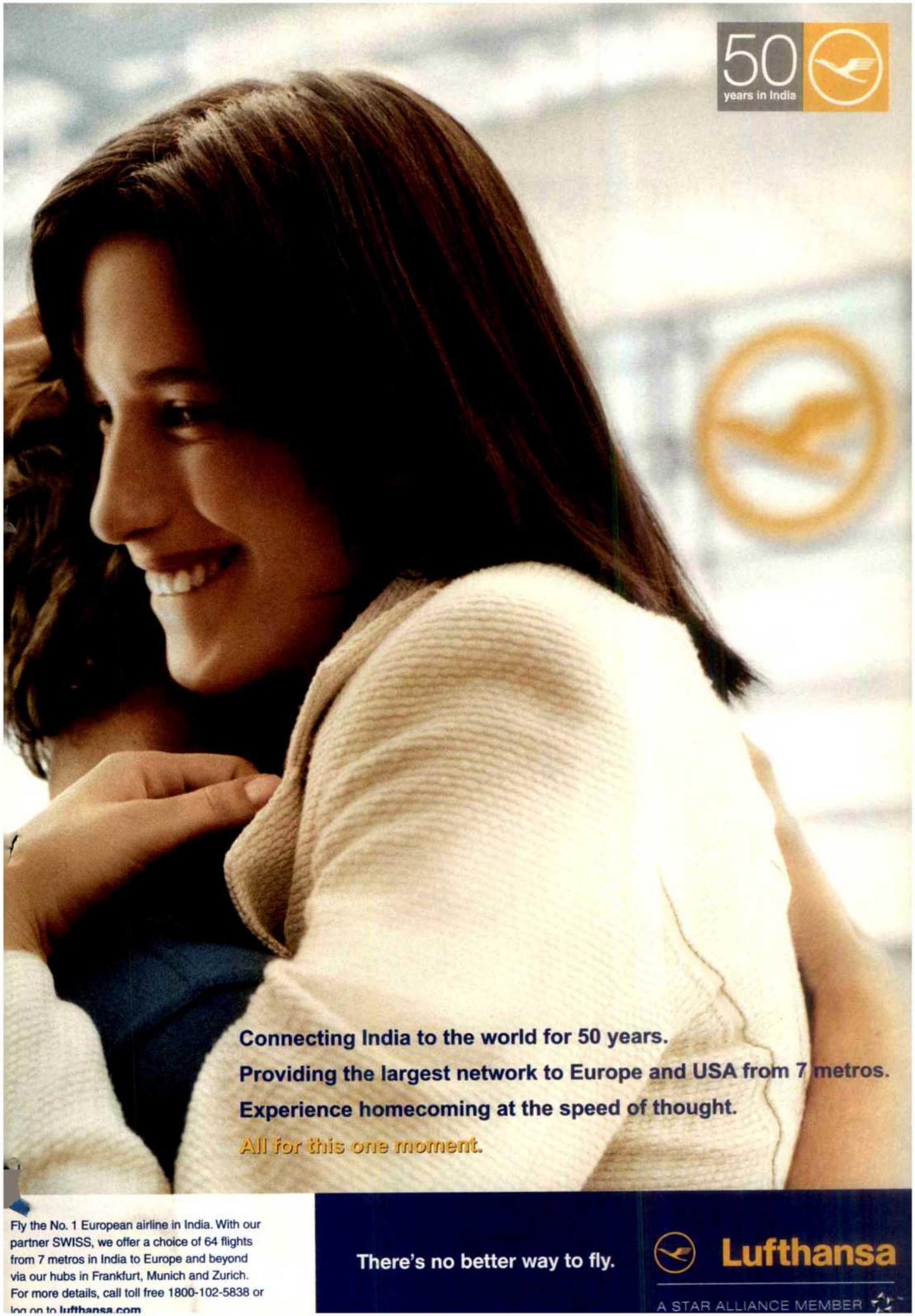

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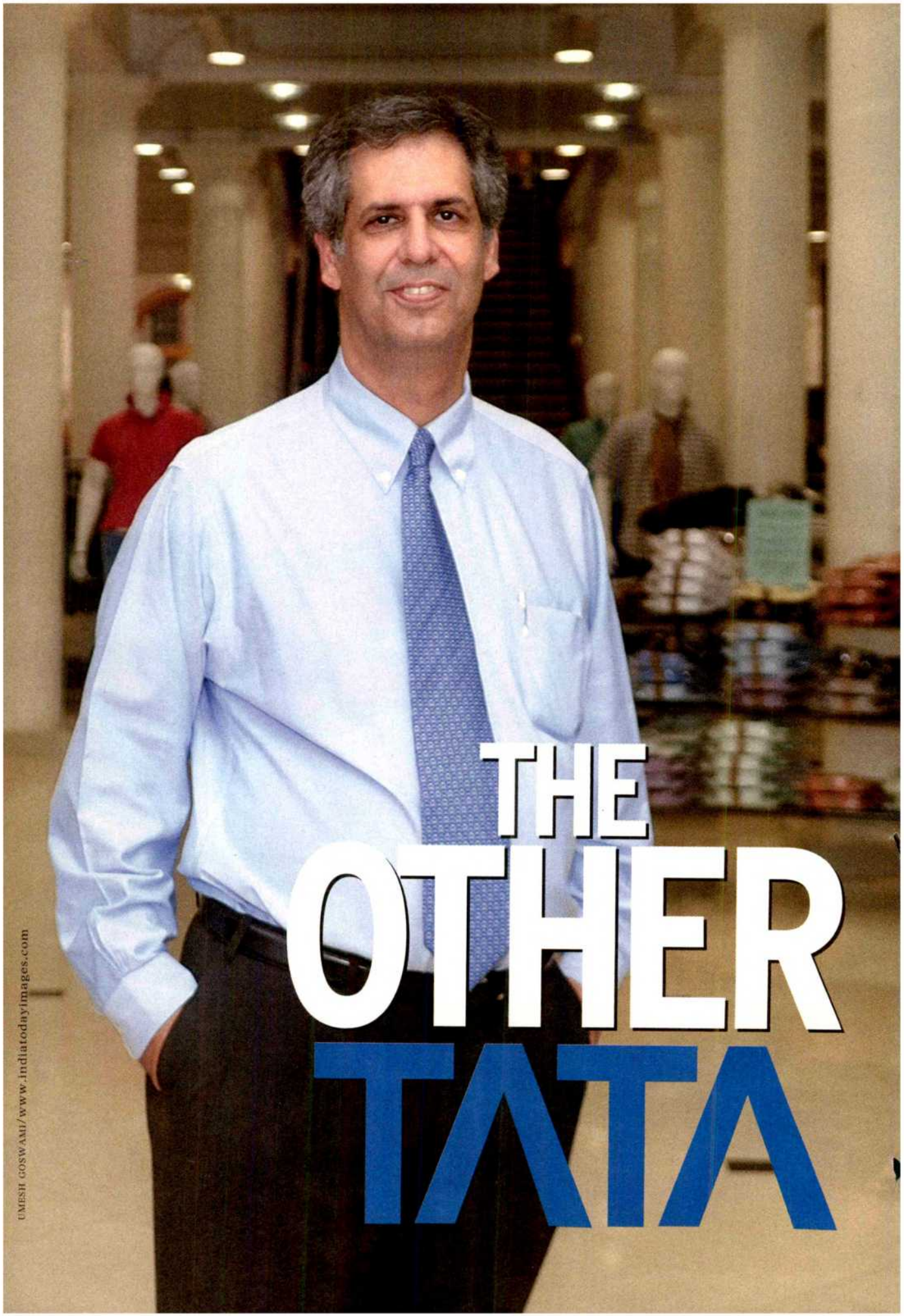
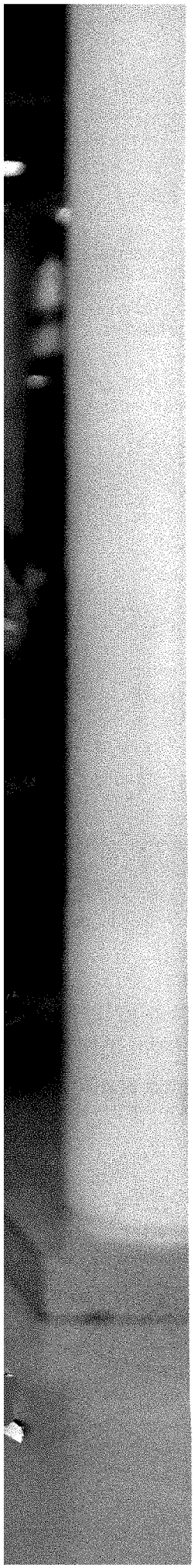


THE OTHER TATA

UMESH GOSWAMI/www.indiatodayimages.com



Noel Naval Tata

AGE: 53

SON OF: Simone (Dumoyer) and Naval H. Tata.

HALF-BROTHER OF: Ratan Naval Tata.

ALSO IS: Son-in-law of Pallonji Mistry, the single-largest shareholder in Tata Sons outside the Tata Trusts.

EDUCATION: Bachelor's degree in Arts (Economics) from the University of Sussex, UK, and International Executive Programme from INSEAD, France.

CAREER: Started with the Tata Group at Tata International (then Tata Exports).

CURRENT MANDATE: As Managing Director, Trent Ltd, he has been leading Trent's foray into fashion retail, hypermarkets and books and music since 1998.

OTHER DIRECTORSHIPS: On Board of Tata companies Voltas and Titan, as well as Tata Investment Corporation, and non-Tata companies like Kansai Nerolac.

VISION: To be the most-preferred and consistently profitable lifestyle retailer.

MASTER STROKE: To focus on profitability (rather than scale) and on private labels right from the beginning.

STRENGTH AS A LEADER: A mirror image of the Tata Sons Chairman in style and manner; seen as very approachable within the Group and outside it; has ability to hold on to key people.

PERCEIVED WEAKNESS: Not a big risk-taker, not focussed on growth or scale.

BIGGEST CHALLENGE SO FAR: The first four years of Trent, when profitability was a stuggle.

The only one with the coveted family name to be heading a group business, Noel N. Tata is seen as one of the more likely candidates to step into Ratan Tata's shoes. But has he done enough?

BRIAN CARVALHO & SUMAN LAYAK

Do you think Noel N. Tata will be the next head of the Tata Group?

Yes.....77.7%

No.....17.3%

Can't say...5%

These aren't the results of a dipstick survey conducted by *Business Today* when writing this feature on Noel Naval Tata, whose prominence is inversely proportionate to the expectations riding on him. Rather, this is an opinion poll on a web page that proclaims to be "the unofficial website of Noel Tata by fans". At the time of writing, the number of viewers who had taken the poll was a little over 200, more than three-fourths of whom clearly see Noel as a logical heir to Ratan Naval Tata, whose tenure as Chairman comes to an end once he turns 75 in 2012 (there is a slim chance of RNT still being the man calling the shots after that by virtue of his control of the trusts that control Tata Sons). Along with the poll, the website carries links to a biography of Noel, as well as a profile and news on the company he runs—organised retailing major Trent Ltd.

A fan club for an incredibly low-profile and self-confessed introvert may seem as improbable as the US

Successful Succession?

What's going for Noel...

The Tata name. He will be one of the senior CEOs in the Group after the recent spate of retirements.

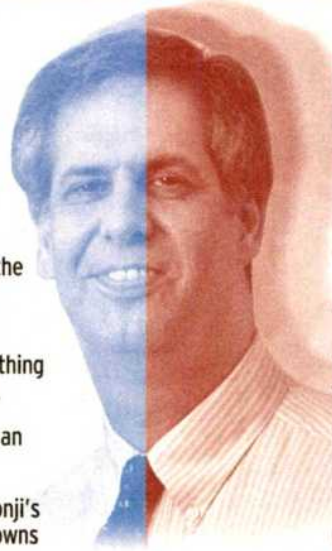
Age: At 53, he can go on for another 22 years as Chairman.

His tortoise act with Trent that made sure the company remained profitable and growing even as many hares in retail bit the dust.

He has built a business from scratch—something that few CEOs of the day in the Group have.

He is a chip off the old block, in many ways an image of Ratan Tata.

He is the son-in-law of Pallonji Mistry (Pallonji's son Cyrus is on the Tata Sons Board), who owns roughly 18 per cent in Tata Sons.



...and what's going against him.

Pallonji's roughly 18 per cent may not matter so much as Ratan Tata himself controls 66 per cent of Tata Sons by being at the Head of the trusts.

Noel heads a company that isn't in the top league of Tata companies. In contrast, Ratan had stints at Tata Motors and Tata Steel.

Noel Tata is not on the Board of any of the larger Tata companies like Tata Steel or Tata Motors.

The Tata Sons Board may want Ratan Tata to carry on.

The company he heads is less than Rs 1,000 crore in sales—ranks 16th in sales (and 14th in market cap).

Questions have been asked about the pace of growth at Trent.

President winning a Nobel Peace Prize, but then even that's happened now. A fan club is also embarrassing for the 53-year-old Tata ("if it flatters, that's the end of me," he quips), who defies the image of the conventional corporate honcho in pinstripes. For starters, he avoids suits, blazers and even ties (he reluctantly agrees to knot one for photographs for BT, even as he lets on that he's more at ease in half sleeves). Then, he shuns the CEO cocktail circuit, is quick with his "regrets" on RSVPs to corporate dos, is usually last-in-first-out at any group shindig that calls for the presence of Tata company CEOs (like the launch of the Tata Nano car, for instance)—and, best of all, for a head of a close to Rs 1,000-crore company, he's refreshingly down-to-earth. Those who know him well say he is happy to stay at company guest houses when on office tour and, according to one friend, "he will always look to spend less if it is possible."

You're more likely to see him in the driver's seat of a Tata Safari than being driven around in a fancy sedan. Noel loves driving—fast—but, perhaps, the only time he gets to indulge is once his six-and-a-half-day week is done. Don't be surprised to see him, along with a couple of his Trent colleagues, driving out of Mumbai early morning to neighbouring Pune or Nashik on "site visits" as they look around for potential locations to put up their stores.

Himanshu Chakrawarti, COO of Landmark, Trent's books and music subsidiary, says that it is immensely possible to catch Noel in the corridor to bounce a few ideas off him. K.M. Bharuka, Managing Director of Kansai Nerolac, on whose Board Noel is an Independent Director, adds: "He is very approachable by nature, not just for me, but also for junior members of our team who feel they can seek advice from him."

For a man who's the only Tata (apart from RNT) in the close-to-100-company Tata Group at a director level, such unfussiness is remarkable (RNT's younger brother by two years, Jimmy Tata, had worked in various Tata companies; he retired in the '90s). Also, at 53, Tata is now one of the more senior CEOs in the Group after a recent spate of retirements (see *The Bombay House Shuffle*, page 54). And if you consider that he is the son-in-law of Pallonji Mistry, who owns roughly 18 per cent in Tata Sons, making him a larger shareholder than RNT himself, Noel should be blazing a trail at Bombay House.

> "Mr Tata is very approachable by nature, not just for me, but also for junior members of our team who feel they can seek advice from him"
>
> **K.M. Bharuka**
> Managing Director, Kansai Nerolac, where Noel Tata is an Independent Director

Those who ask Noel whether he considers himself an heir to RNT are inevitably greeted with a standard reply: "That's not for me to decide." He is unwilling to be drawn into a discussion regarding his chances of getting the top job at Tata Sons. Tata Sons' directors, too, were unavailable for comment, but those who have observed Noel closely feel he has a fair shot at the big cheese. "Noel Tata represents

the Tata Group on the Board of Titan. He brings the Tata aspect to Titan. He takes a long-term view on everything... He is well-qualified (to lead the Tata Group)," says Bhaskar Bhat, Managing Director, Titan Industries.

Noel, for his part, is focussed on what he knows best, and what he thinks he does best: The retailing business of Trent, with its fashion & lifestyle stores, hypermarkets and books and music outlets. "Retail is detail," is one of his favourite mantras, and sure enough, for the past decade, he's been eating, drinking and living (often out of his suitcase) the retail story. "You can't escape retail—not even when on holiday—it's all around you," he quips.

The moot point, though, is that even if Noel has given his best shot, is it enough—enough to make him a successor to RNT? That's not an easy question to answer. Critics—a few of them within Bombay House—have, in the past, raised eyebrows about Trent's arguably slow pace of growth. They point out that even as Kishore Biyani (who had only a couple of Pantaloon stores when Trent started) has raced ahead to become a Rs 7,669-crore in revenues Goliath (in the recently concluded fiscal). Trent, which began in 1998, has still to cross Rs 1,000 crore (it expects to hit Rs 1,200 crore by the end of the current fiscal). Even Johnnies-come-lately like Aditya Birla have crossed Trent in turnover (as have Lifestyle and Shoppers Stop).

What's more, Trent seems to have missed the bus in the market that matters most—food and groceries, which constitutes 60 per cent of the organised retail pie. True, in fashion, with Westside, Trent is running virtually neck-and-neck with Pantaloon in terms of number of stores (40 as against Biyani's 44), but in the business of hypermarkets, Noel seems to have left it for too late—Trent has just four hypermarkets as against Biyani's 116 Big Bazaars.

That, of course, is just one half of the story—which Trent officials will stress is the superficial half. Noel himself is at pains to point out that just scale isn't enough in retail. What matters is profitability, and if Trent has been conservative in growth, it's because profitability always took precedence over growth. It is only after the Westside stores (fashion & lifestyle) had stabilised and started making money that Noel decided to venture into hypermarkets. Although one section of analysts believes that Trent might have dilly-dallied, Noel sees the retail story as a marathon. "The size of this sector (hypermarkets) would allow each of the top five players to build a business in excess of Rs 20,000 crore over the next 20 years," says Noel.

"I admire Noel's vision and leadership, which have guided and taken Trent to another level, and also created great value for the stakeholders"

Rajiv Gujral
COO & Vice President (M&A), Indian Hotels Co., who is a close friend of Noel Tata

Noel's focus on profitability doubtless seems a stroke of genius against the backdrop of an economic slowdown, at a time when demand for organised retail had dipped by close to 20 per cent (last fiscal). Trent is today the more profitable retail operation, with almost everybody else reeling under huge losses and debt. "We want to be the best, not necessarily the biggest. And it will be the customer who decides that. If in the process we end up becoming the biggest, great. If we don't become the biggest, that's fine too," says Noel. Adds Gaurav Mahajan, Head (Buying), Westside. "I like to say that the (second) N in Noel's name stands for Nostradamus because he was able to foresee that private labels and profitability are the two Ps that matter most in organised retail."

Will the wise men at Bombay House look into the "detail" of Noel's leadership and operational skills, or would they prefer to just look at the broad numbers? The latter won't work too well in Noel's favour. Trent, after all, ranks at a distant #16 in turnover amongst Tata companies (and #14 in market value as of last fortnight). What's more, Trent doesn't seem to be the only vehicle for

Noel Tata's Biggest Influences

His father, **Naval H. Tata**
"He showed me how to reach out to people"

Ratan Tata
"For his steadfastness in matters of principle, and for his ability to see long-term opportunities and to endure the short-term pain that is sometimes associated with them"

N.A. Soonawala
Vice Chairman, Tata Sons
"For his financial advice, his sense of balance and his ability to gauge stakeholder reaction to corporate decisions"

The Tata brand
"My biggest influence—for the respect it draws everywhere you go with people you have never ever met before"

organised retail in the Tata Group, indicating, perhaps, that Bombay House felt newer vehicles were needed to hasten the Tatas' retailing thrust. Noel, though, feels it's unfair—as is wont in India—to paint all of organised retailing with one brush. Consumer durables retailing, for instance, he says, is a very different business from fashion or hypermarkets, and so needs a different focus. The Tatas flagged off Infiniti Retail, which owns the brand Croma, for this purpose.

Indeed, it's only when you combine the Tatas' overall retailing reach—which goes much beyond Trent—that it looks formidable. "If you look at the retail operations of the Tata Group, they are probably the biggest in India, with Trent, Croma, Titan, Tanishq, Voltas, Tata Indicom and Tata Motors," says Ajit Joshi, CEO, Infiniti Retail.

But let's not forget that Noel has nurtured Trent right from start-up stage—an opportunity few Tata CEOs have got. Says Rajiv Gujral, COO & Vice President (M&A), Indian Hotels Co., who is a close friend of Noel: "I admire Noel's vision and leadership, which have guided and taken Trent to another level, and also created great value for the stakeholders." Adds C.G. Krishnadas Nair, Managing Director, Cochin International Airport, who is an Independent Director on Titan Industries: "Noel Tata is very capable of leading any business. He very much represents the Tata tradition—and the values inculcated right from the time of Jamsetji Tata to Ratan Tata."

What would work in Noel's favour—and, in fact, anybody else who succeeds the current Chairman—is that the Tata Group has much more method today to it than in the early '90s when RNT took over. Major companies like Telco and Nelco were in the wars, and it didn't make RNT's task any easier that group satraps like Russi Mody (Tisco, now Tata Steel), Darbari Tata (Tata Chemicals), and Ajit Kerkar (Indian Hotels) had to be delicately brought in line. These men were institution builders in their own right, yet when JRD stepped down in 1991, the next man with the Tata surname was seen as the logical successor in most quarters.

"If you look at the retail operations of the Tata Group, they are probably the biggest in India, with Trent, Croma, Titan, Tanishq, Voltas, Tata Indicom and Tata Motors"

Ajit Joshi
CEO, Infiniti Retail, which owns the Croma brand

RNT's successor will not have to grapple with power centres, although there promises to be a healthy tussle for the top spot amongst a shortlist of seasoned achievers. R.K. Krishna Kumar, Director, Tata Sons, may have a shot at the top position, although that may be at best a stop-gap arrangement as he is 71. Recently-retired CEOs at mainline Tata companies like B. Muthuraman (Tata Steel) and S. Ramadorai (TCS) could get into the fray once they're elevated as Directors on Tata Sons' Board. A dark horse could be Cyrus Mistry, son of Pallonji Mistry, who is already on the Board. Of course, you can't rule out Tata Sons opting for an outside CEO—a high-profile global achiever, to boot.

Noel wouldn't be able to hold a candle to such stalwarts. He isn't on the Board of any of the frontline Tata companies. Also, his experience is almost totally restricted to retail. In contrast, RNT had stints with Tata Steel, Nelco, Central India Textiles, was made Chairman of Tata Industries (the second Tata promoter company after Tata Sons), and also became Deputy Chairman of Telco in 1988 before becoming the Tata Sons Chairman. The good news for him is that at 53, he has, along with the Tata name, age—as well as a solid exposure to a sunrise business whose best days have yet come—on his side. ⊙

ADDITIONAL REPORTING BY
K.R. BALASUBRAMANYAM

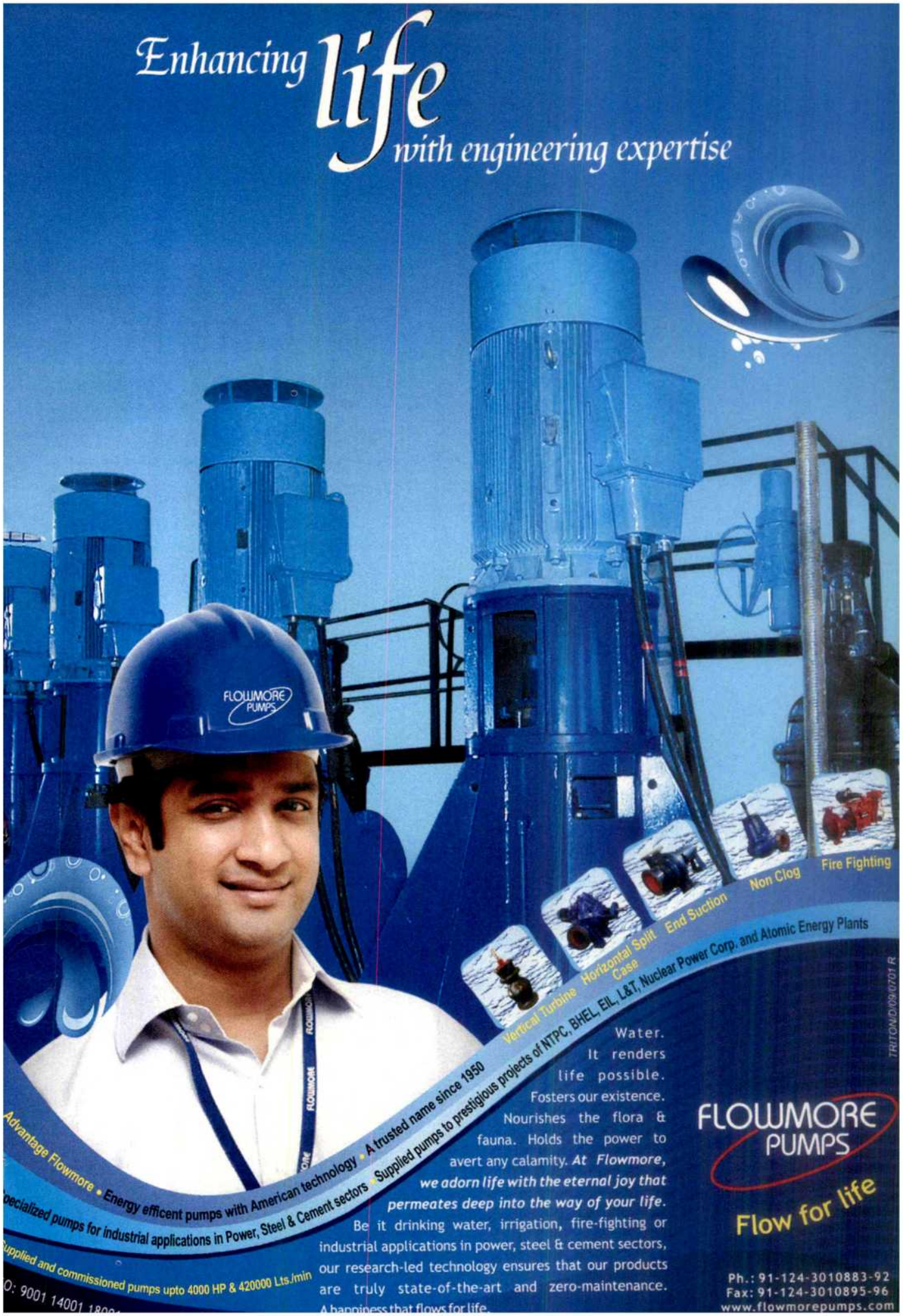
Nowhere in the Big League

Trent lags other Tata companies in sales and market cap.

SALES RANK	COMPANY	2008-09 SALES	DAILY MARKET CAP*	MARKET CAP RANK
1	Tata Steel	1,50,041	42,594	2
2	Tata Motors	78,053	26,423	4
3	TCS	27,821	1,12,159	1
4	Tata Power	17,522	30,923	3
5	Tata Chemicals	12,329	6,571	6
6	Tata Communications	9,978	13,455	5
7	Tata Tea	4,850	5,465	9
8	Voltas	4,374	5,175	11
9	Titan Industries	3,957	6,110	8
10	Indian Hotels	2,601	5,386	10
11	Tata Teleservices (Mah.)	2,045	6,270	7
12	Tata Coffee	1,116	670	16
13	Tata Metaliks	1,109	255	22
14	CMC	939	1,697	12
15	Rallis India	924	1,090	15
16	Trent	846	1,304	14

*As on Oct. 8, '09

Sales, daily market cap figures in Rs crore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Trent's Noel Tata: Going for cautious but consistent growth

UMESH GOSWAMI

THE TORTOISE that Came in from the Cold

Trent has plodded on for a decade to crawl up to sales of a little under Rs 1,000 crore. But Noel Tata's two crucial decisions—with regard to profitability and private labels—ensure it is the most viable model in organised retailing today.

BRIAN CARVALHO & SUMAN LAYAK

Unassuming, minimally-dressed, soft-spoken, and notoriously low-profile, it's easy for Noel Tata to get lost in a crowd. If you had to do a SWOT on the Trent CEO, count such anonymity as his biggest strength. He can stroll into his retailing formats, take in customer behaviour and accordingly make changes in his merchandising strategy. More excitingly, he can stride into rivals' retailing formats, figure what they're doing right, what they're doing wrong, and accordingly get back to his drawing board.

Year: 2008. Trent decides to flag off its first hypermarket in Bangalore, in Koramangala. The location: Some 500 yards away from where a competitor has set up a similar format. This, according to the industry buzz, is one of the rival's star performers. Noel decides to pay a visit. He walks in and quickly soaks up its advantages—the location is immaculate, and every product is stacked in a manner that pleases the eye. There's little Trent's

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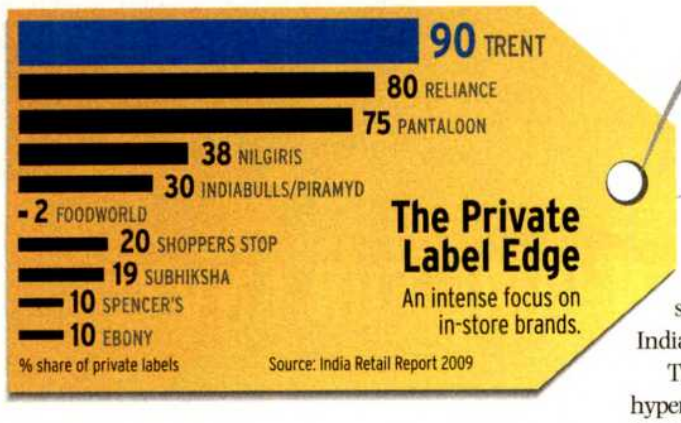


KULDEEP

Star Bazaar can offer that isn't already stocked in this bazaar. It's outside the hypermarket, however, that Tata sees his opportunity. The competitor's hypermarket has barely 30 parking spaces. When Trent launches its Star Bazaar in Koramangala, ample parking—some 300 slots—becomes one of its biggest differentiators. Lesson from Noel: "Product-wise you can differentiate in quality of vegetables and fruits, or meat or fish. But in general grocery you are more or less selling the same product. What differentiates your business is customer service, ambience, parking—the ease and the convenience of shopping."

Another example: Noel walks into another hypermarket, this one also in Bangalore—a four-storied one, to boot. One of the first things he notices is that there are no escalators, just two lifts. He also notices that shoppers are picking up a trolley on the ground floor, shopping about—and then leaving their trolleys behind as they ascend to the floors. That's another lesson Noel took home: Every Star Bazaar would be embellished with escalators and travelators.

Better late than half-baked. That's the maxim of Noel Tata, who with just five hypermarkets appears decidedly the straggler in the part of the segment of organised retailing that matters the most—foods & groceries. According to the India Retail Report 2009 put out by Images Multimedia, a retail intelligence unit, food & grocery accounted for close to 60 per cent of the overall retail pie in 2007, and was valued at just under Rs 800,000 crore. As a part of organised retail, food & grocery is still small, at Rs 9,000 crore or 11.5 per cent of the pie. But it's clearly this segment that will separate the men from boys in Indian organised retail.

That's a fact not lost on Noel. Yet, with just a handful of hypermarkets, as against Kishore Biyani's 120 Big Bazaars, Mukesh Ambani's 600 Reliance Fresh stores, and Kumar Mangalam Birla's 600-odd More supermarkets, you can't be blamed for thinking that Trent is out of the foods & grocery race. That would also explain why in revenue terms Trent lags most other retailers.

Such an evident lack of scale might bother some Trent watchers (perhaps even a few at Bombay House). But Noel isn't fazed by the fact that: One, his top line growth has been slow; two, that he lacks scale (in foods & grocery); and, three, that he missed the first-mover advantage in hypermarkets.

"Our experience has shown that scale alone does not bring profitability. We also believe that, in our segments, there does not exist any first-mover advantage. In foods & grocery, if you are not first, you have the opportunity to analyse your competitor's offerings, and their strengths and weaknesses," says Noel.

Analysts also point out that the recent downturn has been a kind of reality check for retailers. Those with the huge top lines are also losing big money (Reliance and Aditya Birla Retail, to name just two), and stability of their respective formats is still a while away. "There is a new realism in Indian retailing. Food retailing is a tough, low-margin business and it is taking its toll. We (Tesco) have

THE FOOTPRINT

Apparel & Footwear

WESTSIDE
FOCUS: Retailer of private label fashion
PRESENCE: 40 stores across 23 cities; 6-8 more to be launched in current fiscal
STORE SIZE: Between 10,000 and 30,000 sq. ft

FASHION YATRA
FOCUS: Fashion needs of consumers in tier-II and tier-III cities
PRESENCE: 1 store so far; 3-4 in the works.
STORE SIZE: First 17,000 sq. ft; rest 8,000-10,000 sq. ft

Contribution of Westside to total Trent sales **50 to 55%***

arrived at the right time. The potential is huge and it is still very early days yet," says Gordon Reid, COO, Star Bazaar, who represents Trent's partner in hypermarkets, Tesco, the UK retailing giant.

Yet, one could always argue: Why didn't Trent begin its hypermarket venture earlier? For an answer to that, let's start at the very beginning.

Circa 1995: Cosmetics major Lakme, a fully-owned Tata subsidiary, entered into a 50:50 joint venture with Hindustan Unilever (Hindustan Lever at that time). This eventually led to a complete sell-out two years later. By 1996, the Tatas called in McKinsey to identify new opportunities for growth for Lakme. Retail was one of them. Simone Tata, then Chairman of Lakme (and mother of Noel) took the call that retail would be the next growth engine for Lakme. Two months after that decision was taken, an investment banker came with an opportunity—Littlewoods, a UK-based fashion retailer operating one store in Bangalore, wanted to exit India and sell its India business. By March 1998, Simone Tata and her top brass closed the deal to purchase Littlewoods. Trent was created by renaming a subsidiary (Lakme Exports). Two months after the acquisition, Noel was drafted in from Tata International (then Tata Exports). Littlewoods was renamed Westside. Trent was on its way. "Though I looked at various diversifications, none (but for retailing) appealed to me as they did not fit my two criteria: an industry of the future; and a consumer goods business with a bent towards women. Retailing filled both criteria," says Simone Tata.

So if Trent decided to start with fashion, it was largely a function of the acquisition that came its way. But then there was barely an organised format in foods & grocery at that time—Spencer's had a format in Chennai and Biyani's retail empire was restricted to a couple of Pantaloon's stores. Yet, Biyani began his blitz of Big Bazaars in 2001, and Trent could flag off its first Star Bazaar only by 2004; since then it's been able to put up only four hypermarkets—as against Biyani's 116. Noel acknowledges that "the second and third store that we signed were each delayed by more than 18 months, which delayed the optimisation of the model." He also adds that growth slowed down over the past couple of years, when real estate prices shot up and, consequently signing of properties came to a virtual standstill.

Yet, there's no denying that Trent's growth has been measured, cautious and conservative. Just one indicator of that is the investment made till date—Rs 480 crore (including capital expenditure and working capital). Biyani, on the other hand, has invested at least 10 times that amount in his retail formats. Scale has clearly been sacrificed, but what's making Noel look like a bit of a guru these days is his focus on profitability against the backdrop of an economic slowdown. Trent is the only major organised retailer to have avoided the red ink in the last fiscal (see *Small is Beautiful?*). Clearly, the decision to be profitable at the store level before setting up the next one looks like a masterstroke in a tough environment.

Along with a focus on profitability, Noel's

Small is Beautiful?

Trent's top line is small, but it is the only one showing post-tax profits.

COMPANY NAME	REVENUES	EBIDTA (OPERATING PROFITS/LOSS)	PAT
Trent	850	-25.34	0.22
Pantaloon Retail	7,669	305.6	-8.5
Vishal Retail	1,323.2	-50.7	-94.5
Shoppers Stop	1,303.3	-56.8	-82
Indiabulls Retail Services	104.5	-41.5	-90.3

Figures are for the financial year ended March 2009, except for Pantaloon ended June 2009 All are consolidated except Indiabulls Retail (in Rs crore) (Source: BSE)

ZARA, TOPSHOP, TOPMAN, SISLEY
FOCUS: World's best fashion brands for up-market customers
PRESENCE: Sisley - 5 stores, 4 shop-in-shops
STORE SIZE: 1,000 sq. ft

Hypermarkets, Food Grocery & General Merchandise

STAR BAZAAR
FOCUS: Selling food grocery, general merchandise and clothing
PRESENCE: 5 stores currently, 4 more in current fiscal, total 50 in first five years
STORE SIZE: 50,000-75,000 sq. ft

Contribution of Star Bazaar to total Trent sales: **20-25%***

Books, Movies & Music

LANDMARK
FOCUS: Selling books, music and movies, gift items and home ware
PRESENCE: 26 stores pan-India; has small-formats for airpo and hotels; to add 4 more large stores this year
STORE SIZE: 25,000-35,000 sq. ft

Contribution of Landmark to total Trent sales: about **20%***

* FY 08-09

other early stroke of genius was the decision to go the private label route (as against multi-brands, *a la* Shoppers Stop). The advantages of private labels are two-fold: One, the conversion rate is higher (although footfalls into such stores are lower); two, margins are higher than in multi-brand stores. "You have a lower turnover with a higher margin in private label. And margins are what pay the bills," quips Noel.

When Noel decreed in the late '90s that Westside would go the private label route, he was distinctly in a minority. But he held his ground. That Littlewoods was 70 per cent private label at the time of acquisition made it somewhat easier. But there were other triggers for developing one's own brand. "When reviewing the portfolio of products that we intended to sell, we found that only 30 per cent of the products had national brands whilst 70 per cent had regional or no brands at all. There appeared therefore clearly an opportunity to build a national brand," says Noel. He adds that over the past 30 years in the US, it's been the private label retailers like GAP and Target that have expanded even as department stores have struggled.

However, whilst Noel would like to consider himself the pioneer of sorts in private label, there's another retailer who's keen to steal that thunder. "We were the ones to start private brands and today 80 per cent of Pantaloons is private brands. In Big Bazaar, 75 per cent of the apparels are private brands. In this business that is the way you make money," points out Biyani whose Future Group owns Pantaloons and Big Bazaar. Yet, in terms of share of private labels, Trent is right up there with 90 per cent, according to Images' India Retail Report 2009.

Noel says he's focussed on being the best—rather than the biggest—yet he realises that size does matter if one has to be counted amongst the country's elite retailers. Trent hopes to have 50 hypermarkets in five years, which should generate a turnover of Rs 3,000 crore. Eventually—over a couple of decades—he foresees Trent having 300-odd Star Bazaars, and generating over Rs 20,000 crore. "There's so much more that needs to be done at Trent," sighs the MD. The billion-dollar question, of course, is whether the wise men at Bombay House decide to let him continue doing what he does best in the years ahead or feel the time is nigh for Noel to embark on a more critical mission within the group. ⊙

The Top Team

Many have been with Trent right from the start.

K.V.S. Seshasai
Business Head (Fashion Yatra and Sisley)
JOINED IN: 1998 as Head of IT
MANDATE: To incubate the new formats in the group
"We will address bargain-conscious consumers...with our Fashion Yatra stores"

R.A. Shah
General Manager - Projects
JOINED IN: 1999
MANDATE: Find consumer-friendly locations
"We focus a lot on store design, parking and safety to enhance the customer experience"

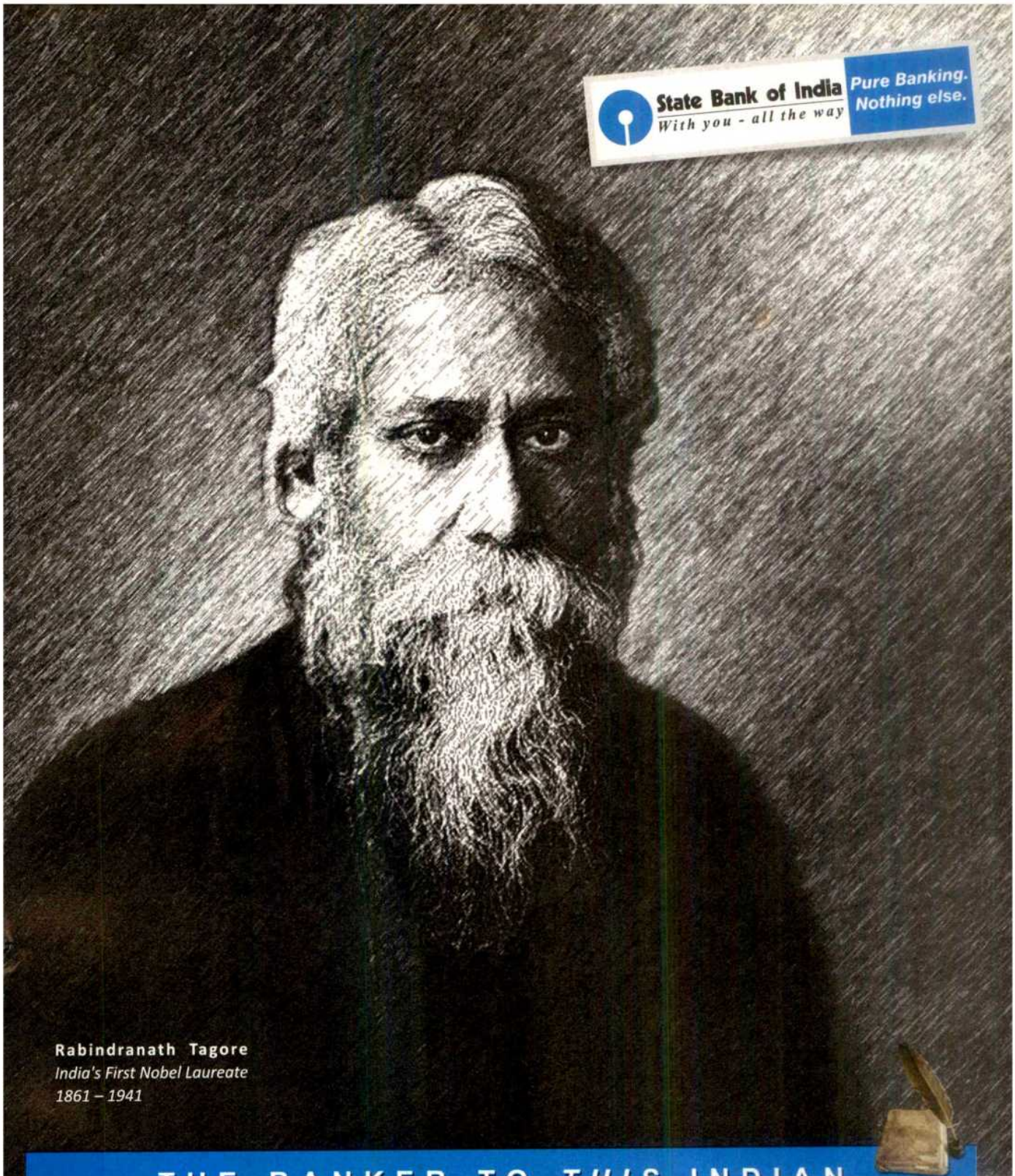
Gaurav Mahajan
Head, Buying (Westside)
JOINED IN: Littlewoods in 1997, which Trent bought out in 1998
MANDATE: Keep a finger on the pulse of consumer tastes
"Our focus on private labels means that product development is our biggest challenge"

Himanshu Chakrawarti
COO, Landmark
JOINED IN: 1996 in Lakme and then back in Trent in 2000
MANDATE: Expand and experiment with the format
"We're experimenting with our format, going into SEZs, airports and Taj and Ginger hotels"

Smeeta Neogi
Head–Marketing (Westside)
JOINED IN: 2004
MANDATE: Manage communication and product experience.
"Loyal customers contribute 50% of our business and the products are the drivers of loyalty"

Venkatesalu P
CFO, Trent
JOINED IN: 2008, from Tata Sons
MANDATE: Keep a hawk's eye on viability
"In retail, most costs are fixed...We are wary of high debt as it just adds to the fixed costs"

Gordon Reid
Chief Operating Officer
JOINED IN: 2008 (On deputation from Tesco)
MANDATE: Lead Star Bazaar in the Tesco way for five years
"We don't want to be the biggest but the best...Tata and Tesco share similar customer focus as well as values"



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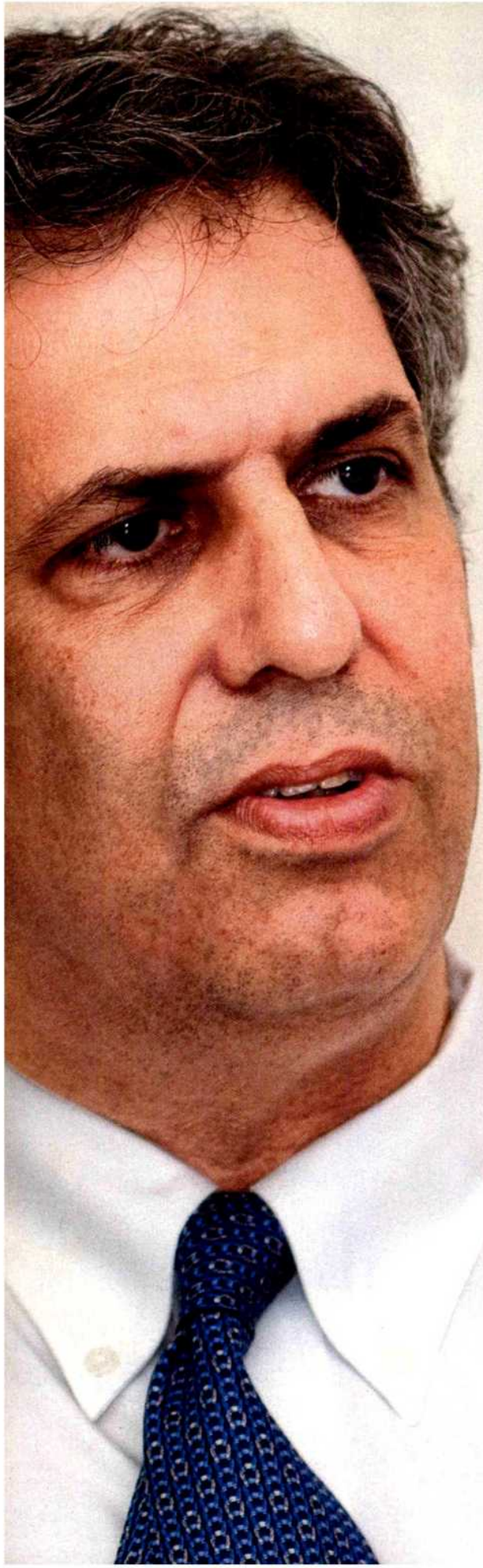

"THERE IS SO MUCH MORE TO DO AT TRENT"

NOEL N. TATA *has been one of the most reclusive business honchos in India. And he insists that it's his nature that makes him that way—and not a desire to keep a low profile. To our pleasant surprise, we found Tata an extremely engaging conversationalist, as he went about debunking common theories and wisdom about organised retail—a business he lives and breathes. Excerpts from his first full-length interview:*

***BT*: It's 10 years now that you have been with Trent. What do you see yourself doing in the future?**

NT: There is so much more to do now at Trent that there is little time to think about anything else. Usually, I am on a six-and-a-half-day week. The rest is time left for family and often if I have to visit a place like Nashik or Pune to look at a store, a Sunday is the best day to go for it. So, I have little time left after that. And retail is a detailed business—you cannot get away from it. You have to keep revisiting your stores. Even on a holiday I might see a little shop somewhere doing something special and I start thinking—now we can do that.

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too. This is a business I have a passion for and I feel I am lucky to have had the opportunity to work in this business. Each of the top five players in hypermarkets can build a business worth more than Rs 20,000 crore in the next 20 years.

***BT*: So, do you feel you have done enough with Trent or you could have moved faster?**

NT: Our aim has always been profitable growth. We have pursued growth with profits rather than growth for the sake of it. You must also remember that we were a publicly listed company when we started, compared to many others who were or still are private companies in their growth phase. We had thousands of shareholders. We have never missed a dividend in all these years.

"If you are coming second or third, you can see what your competition has done and develop a store better than your competition. I am not so fussed about first mover advantage"

***BT*: Do you think some of the first movers have inherent advantages because they built their stores when real estate prices were really low?**

NT: I think on that particular point, in terms of real estate prices, you are right. Having said that, our view is that if you are in fashion, you are only as good as your last collection. You have to be constantly delivering the right fashion. Being first and then not keeping it up in terms of collections won't keep you in business for a long time. On the hypermarkets side, if you are not first and if you are coming second or third or fourth, you have the ability to see what the competition has done, analyse their weaknesses and develop stores that are superior. I am not so fussed about first mover advantage.

***BT*: But if your competition has 100 hypermarkets and you have 12, then he can call the shots?**

NT: It's not that straightforward. Even at 100 hypermarkets, you will have less than 1 per cent of the large vendors' turnover. Scale alone does not bring profitability. If you have six or eight or 10 players all growing—they are all getting scale as well. If one of them decides that I am going to pass on my better margin to the customer, what do you do? You have to do the same and then that margin would disappear. Along with scale, customer service, location, pricing, product mix, availability are extremely important. If a customer comes with 100 items to buy and he only walks away with 60, he won't come back.

"Along with scale, customer service, location, availability, pricing are important. If a customer comes with 100 items to buy and he only walks away with 60, he won't come back"

***BT*: One often wonders why Croma was created outside Trent. There's a perception that Bombay House felt Trent wasn't moving fast enough.**

NT: At the time Croma was envisaged, we had our hands full with our own expansions. We had expansion plans for Landmark (books and music), expansion plans for hypermarkets as well as for Westside. Also, consumer durables (which is what Croma retails) is a completely different business. So, it was the right decision (to have Croma outside Trent). It possibly wouldn't have grown as fast as it has if Trent had tried to start it as another retail format. We are doing something else in the lifestyle area (with Westside). My sense is that it's only in India that retail is considered one industry. Nowhere in the world is the gamut of retail considered one industry. You don't treat manufacturing as one industry. You have cement, or automobiles or steel, each having its own competencies, each having its own quirks... so why does media or analysts treat retail as one industry? Also, the DNA of an organisation selling luxury is very different from the DNA of an organisation selling value.

***BT*: But your pace of expansion would seem slow...**

NT: Our view is that retail, which appears on the surface to be a simple business, in reality is not. It is a business in which details are extremely important, where the front end needs to treat the customer as an individual even as the back end needs to be able to procure in bulk and get economies of scale... We grow our formats in stages. In Stage I, we open a pilot store to check customer reaction. In Stage II, we open 3-10 more stores to check for location advantage/disadvantage and for further fine-tuning to get a line of sight to profitability. Only once we are confident that the format can deliver profitability do we go in for further expansion. ⊙

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THE BOMBAY HOUSE SHUFFLE

Along with Ratan Tata, a string of Tata Group heavyweights is set to hang up its boots over the next few years. The good news is that there's a robust second line in place. SUMAN LAYAK

THE YOUNG TURKS TAKE CHARGE...

PHOTOGRAPHS BY UMESH GOSWAMI

Mukund Rajan
MD, Tata Teleservices (Maharashtra)
AGE: 41

R. Mukundan
MD, Tata Chemicals
AGE: 43

Anil Sardana
MD, Tata Teleservices
AGE: 50

Ernest Hemingway famously bestowed the honour of the ugliest word in the language to "retirement." At the House of Tatas, however, retirement has few connotations of revulsion; rather it is being greeted with a well-thought-out big-picture strategy for succession planning. Ratan N. Tata (72) is slated to hang up his boots in three years but, before that, a clutch of his trusted lieutenants at Tata Sons will be calling it a day. Syamal Gupta (75), RNT's close friend and a Director on Tata Sons (who joined Tata Steel —then Tisco—as a trainee engineer

at 21) retired in August 2009. Also likely to take his final bow soon at Tata Sons—the key promoter company of the group—is Vice Chairman N.A. Soonawala (73), one of the most visible faces in the larger Tata companies, as Director on various boards. If two other Tata Sons stalwarts, J.J. Irani (73) and R.K. Krishnakumar (71) also step down by 2011 and 2013, respectively, it would complete a generational shift at Tata Sons.

The flurry of retirements is not restricted to Tata Sons; across the group, there are boots of all sizes and variety that are being hung up at the frontline companies. And these could well be the gentlemen who go on to replace the old guard at Tata Sons. In 2009, three high-profile managing directors moved on—Ravi Kant at Tata Motors, S. Ramadorai at TCS and B.Muthuraman at Tata Steel. All three (who turned 65 this year) were elevated as Vice Chairmen of their respective companies with Muthuraman also being made Chairman of Tata International.

How the Group Has Been Planning for Succession

- Shuffling young blood across group companies. Eg: S. 'Paddy' Padmanabhan from TCS to Tata Power.
- Dual CEOs, one for the domestic business, another for overseas. Eg: H.M. Nerurkar and Kirby Adams at Tata Steel.
- Keeping options open. Eg: When J.J. Irani retired from Tata Steel, B. Muthuraman was made MD; and three others were made Deputy MDs.

NISHIKANT GAMRE

N. Srinath
CEO & MD, Tata Communications
AGE: 47

SHEKHAR GHOSH

N. Chandrasekaran
CEO, TCS
AGE: 46

Diffused Leadership

In many of the large companies, the Tatas have moved on to a strategy where the company-level leadership is not clearly defined. The best example of this is Tata Tea, where both Percy Siganporia (58) and Peter Unsworth (51) are responsible for different geographies, without one CEO reporting to the other. While Siganporia heads Tata Tea as Managing Director, Unsworth heads Tetley (the UK company Tata Tea acquired in 1999, and which today accounts for roughly half of Tata Tea's revenues). But at the group level they work through a committee and report to Krishnakumar, who in the past has been MD of Tata Tea, as well as of Indian Hotels Co. Today, he is Vice Chairman at both these Tata firms. The two-horse model is being followed at Tata Steel, too, where H.M. Nerurkar (60) has been made Managing Director for India, with Kirby Adams head of Tata Steel Europe; B. Muthuraman stays on in a non-executive capacity to supervise them. At Tata Motors too, it is a similar structure, with P.M. Telang being elevated as Managing Director for India, with Vice Chairman Ravi Kant continuing to oversee the global portfolio.

Cleaner Successions

However, at TCS there has been a much clearer handing over, with Ramadorai passing on the baton to a much younger N. Chandrasekaran (46), even though Ramadorai stays on as Vice Chairman. Indeed, a pleasant and surprising change at the Tatas is that more and more managers in their forties and early fifties are being brought to the forefront. Consider: At Tata Power, where Prasada Menon (63), will step down in two years, two young turks are in the race to succeed him: S. (Paddy) Padmanabhan (51) and Banmali Agrawala (46). While Padmanabhan was till recently HR head at TCS, Agrawala was Managing Director of Wartsila India before moving to Tata Power two years ago. Tata Group trackers explain that moving Padmanabhan to Tata Power was a masterstroke of sorts as it served two

... AND THE OLD GUARD MOVES ON

Ravi Kant (65)

former MD of Tata Motors, is now Vice Chairman

Headed commercial vehicles at Tata Motors under Ratan Tata's tutelage and then had a short stint as Managing Director that saw the takeover of Jaguar Land Rover by the company. He is still in charge of overseas operations of Tata Motors.

NISHIKANT GAMRE

B. Muthurman (65)

former MD of Tata Steel, is now Vice Chairman (as well as Chairman, Tata International)

Led Tata Steel for eight years and established himself as a clear leader of the company, despite an unclear initial mandate. Oversaw a string of takeovers, including Corus, that took the company global. Tata Steel is now among the top five steel makers in the world.

S. Ramadorai (65)

MD, TCS, is now Vice Chairman

Presided over the company during the IT boom and the crowning glory of his career was the listing of Tata Consultancy Services and the unleashing of the value of the IT business of the group. Finished his job with an excellent succession plan that saw N. Chandrasekaran firmly in the saddle.

purposes: one, it made Chandrasekaran's succession at TCS a clean affair; and, two, bringing Paddy to Tata Power created some much-needed management depth there.

Clearly, CEOs like Chandraeskaran, who have age on their side, are what Tata Sons are increasingly beginning to identify (in sharp contrast Telang at Tata Motors and Nerukar at Tata Steel have just three and five years ahead of them as CEOs; Chandrasekaran has 19). At Tata Chemicals, R. Mukundan took over at 42—he's 43 today—from Homi Khusrokhan early this year, making him the second-youngest MD in the group. The youngest would be Mukund Rajan, 41, who is leading Tata Teleservices (Maharashtra), after a stint as Vice President at Tata Sons (where he had also worked in the Chairman's office). Others in the youth brigade include Anil Kumar Sardana, who took over at Tata Teleservices in 2007 at 48, N. Srinath, who was handed over the reins of Tata Communications in 2007 at 45, and Raymond Bickson (53), who stepped into Indian Hotels' corner room in 2004 when he was 48. And let's not forget one Noel Tata, who is 53 today, but took charge of Trent when just 43.

Unclear Mandates

Often what appears messy and unclear works out well in the long run, as the players involved in the race succeed (or don't succeed) in proving their abilities. In 2001, when Irani retired as MD of Tata Steel to become Vice Chairman, Muthuraman was made Managing Director. But three others, T. Mukherjee, Firdose Vandrevala and A.N. Singh, were made Deputy Managing Directors on the same day. A healthy tussle had ensued for the top job before the announcement. It seems the complicated arrangement worked well for Tata Steel. There will be another round of succession at the major

THE SEVENTIES CLUB AT TATA SONS

Syamal Gupta (75)
Director, Tata Sons, and trusted friend of RNT, retired in August.

N.A. Soonawala (73)
Vice Chairman, Tata Sons, is slated to retire in two years.

J.J. Irani (73)
Director, Tata Sons, is also due for retirement.

R.K. Krishnakumar (71)
Director, Tata Sons, will complete the generational shift.

Tata companies—Tata Power in two years, Tata Motors in three years and Tata Steel in five years. That brings us back to Tata Tea. Khusrokhan had retired as Managing Director of Tata Tea in 2004 and it was stated that the retirement age was 60 in that company. Going by that rule, Percy Siganporia (now 58) will have to retire in 2011. The group can, of course, change the rules and extend it to 65 like in the other Tata companies. The other option: Peter Unsworth, who is just 51 and arguably an appropriate candidate to become overall CEO of the beverage major.

When talking about his own retirement, Ratan Tata on more than one occasion has said he would prefer a man in his 40s or early 50s to replace him when he hands over the chairmanship. Reason: The new CEO should get an unrestricted play for 20 years. The likes of Mukundan, Rajan, and Chandrasekaran are just what the Chairman ordered. With regard to his own successor, RNT has a man in his early 50s who, for good, measure, also carries the Tata name. But the family moniker may have little bearing at a time when there's so much of vibrant talent jostling for a piece of some big action in one of India's most diversified and dynamic conglomerates. ⊙

Tata Tele's Mr Fixit

DEBASISH PAUL

Price gladiator: Tata Tele's Anil Sardana

For a group that has been in the mobile telecom service since 1996, it's only now beginning to show that it has understood—and can even shake up—the telecom market. KUSHAN MITRA

In July 2002, when the Delhi government decided to privatise power distribution, the Tatas bagged the rights for the northern part. Having taken charge of a pandora's box of power theft, irregular supply and corruption, they appointed Anil Sardana, one of Tata Power's top executives, to head the show. Sardana sorted out the mess, turned distribution into a profitable business and won over consumers.

So it was not surprising when, in 2007, Sardana was picked to head the group's telecom venture, Tata Teleservices Ltd (TTSL), which, after plenty of false starts, was beginning to lose ground to rivals just when it was getting some focus. Last November, when TTSL took aboard Japan's NTT as a stakeholder with plans for a big bang in GSM services, Sardana was given a crisp brief: revitalise TTSL and give it a strong start in the dominant GSM platform. The message seemed to be: no more of the Tatas' "lost my way, what next" journey through the telecom landscape that it had first entered way back in 1995-96.

Despite their financial muscle, the Tatas had lost out to nimble upstarts such as Bharti Airtel. A subscriber base of 30 million at the end of 2008 was nothing to scoff at, but that accounted for just around eight per cent of the market, well behind Airtel's 24 per cent.

The good news was that, for some time, TTSL had been coming up tops in the Telecom Regulatory Authority of India's quality of service survey, based on network quality. Under Sardana, TTSL decided to leverage this and kiss goodbye to the "me too" past in which telecom service providers vied to launch new tariff plans for every segment and battle over free talktime.

Keep it short and simple: have just one simple price plan nationally. "We decided to leverage our network advantage in a different way, flipping it into a price advantage," explains Lloyd Mathias, Chief Marketing Officer, TTSL.

So its GSM entry turned into a truly big bang. Instead of having a multitude of price plans servicing every possible niche of the market, Tata DoCoMo (the brand for the GSM venture) offered just one plan—a rate of one paise a second. No Plan B—or C or D or E for that matter.

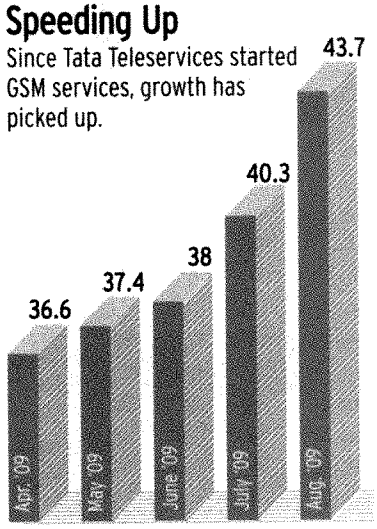
This plan, coupled with the "pay per call" (and not per minute) plan introduced by CDMA sibling Tata Indicom, set the cat among the pigeons in August. TTSL, despite having GSM operations in just eight of India's 22 telecom circles, dethroned Bharti Airtel as India's fastest growing operator, adding 3.4 million subscribers. This was in small part aided by an aggressive advertising campaign across all media. "This would be the first time TTSL has gone in for such an aggressive marketing plan, this is possibly the most aggressive marketing campaign in the Tata Group's history," jokes Mathias.

But pricing was just the entrée: TTSL is yet to unleash the power of its Japanese partner NTT. "There was never a shortage of funds from the group, so money is not the reason we went looking for a partner," Sardana clarifies. "The issue was a distinct lack of experience and sectoral knowledge. If we had to compete effectively, we needed a partner with knowledge."

Senior TTSL and NTT executives meet at a Business & Technology Co-operation Committee every quarter.

Speeding Up

Since Tata Teleservices started GSM services, growth has picked up.



Figures are total subscribers in millions
Source: Company

NTT's vast experience in high-end data services is already spilling over to TTSL subscribers who are getting a host of unique data services.

TTSL has also done well with its Photon+ Internet access dongle. "Above everything else it helps take the Internet to places where wired broadband would otherwise never have gone," Sardana says. There is also the 'Walky' fixed-line service.

However, some industry analysts feel that like several other players, TTSL is also playing a 'valuation game'. "I believe TTSL wants NTT to raise its stake from 26 to 49 per cent, but wants a significantly higher valuation than they got previously. Once Tata DoCoMo is up and running and generating revenues, I expect NTT to increase their share in the company," says a senior executive in a leading handset vendor.

Instead of having a multitude of price plans servicing every possible niche, Tata DoCoMo offered just one plan—a rate of one paise a second.

But with a bunch of new competition like Aircel and MTS already operating and UniNor waiting in the wings, and with the established players focussing on their networks and distribution, what does the future hold? Mathias thinks that it is quite positive. "We are a disruptive force with our pricing plans and with Mobile Number Portability (MNP) around the corner, we have nothing to lose."

Sardana explains that TTSL will soon have operations running in 18 of the 19 telecom circles it has rights for, spending Rs 10,000 crore in the process. Tata DoCoMo has not yet been given permission to operate in Jammu & Kashmir, Assam and the North-East. The last circle where TTSL has permission to operate but cannot start brings up Sardana's pet bugbear. "There is a 'perceived' lack of spectrum," argues Sardana, "there is spectrum but operators are hanging onto it and not operating services."

The circle in question is the lucrative Delhi circle. In fact, in 2007, Tata Group Chairman Ratan Tata had written to Prime Minister Manmohan Singh about existing GSM operators sitting on spectrum and entered a very public war or words with Bharti Group Chairman Sunil Mittal.

Will Sardana's strategy work? TTSL has invested heavily in network with a 100 million subscriber target for 2011. But, in the Indian telecom market, no one is ever quite sure what will happen. Sardana's bullish attitude is an indicator that things are looking up for the Tata Group in telecom. Finally. ⊙

Hop, Step—and Jump?

The Tatas have had a long and wild ride in telecom—partners, joint ventures, battles with rivals, technology shifts... Can it now measure up for the big jump?

1997: **Tata Cellular** starts operations, **two years** after Tatas get licence for GSM services.

2000: Tata Cellular **merges** into Birla-AT&T Communications, a venture between the AV Birla Group and AT&T of the US, to form 'BATATA'.

2002: BATATA becomes **Idea Cellular**

Dec. 2002: The **Tatas buy** the listed **Hughes Telecom**, which has a licence for basic telephony in Mumbai. Hughes Tele becomes Tata Teleservices (Maharashtra) Ltd. Tata Teleservices Ltd (the renamed Tata Cellular), starts CDMA-based Wireless in Local Loop services under the **Indicom** brand **in a few states.**

2005: TTSL and TTML start offering **Indicom services across all 22 telecom circles.** Tatas' stake in Idea moves up to 48.6 per cent as foreign partner exits.

2006: Department of Telecom (DoT) says companies should not have a **cross-holding** of above 10 per cent in another operator in the same circle. Tatas caught **offside.**

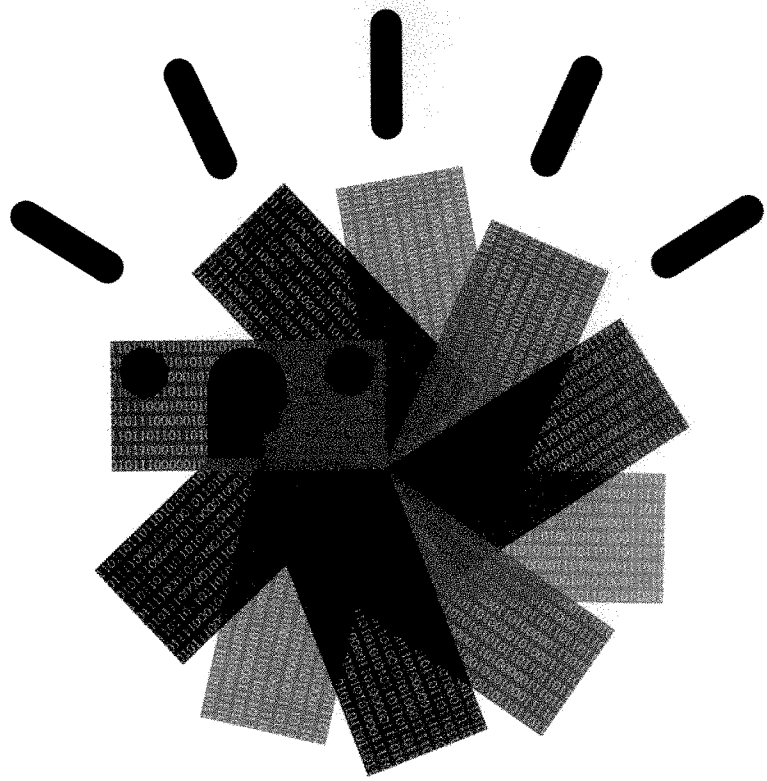
2006: It's war between the Tatas and the AV Birla Group over the Tatas' telecom operations. The Tatas are eventually forced to **sell out from Idea,** and get Rs 4,400 crore for their stake.

2008: CDMA players allowed into GSM services.

2008: TTSL (including TTML) are given **permission to operate GSM** in 19 of India's 22 telecom circles. Tatas invite Japan's NTT to take stake in TTSL.

2009: **TTSL unveils the Tata-DoCoMo brand** and starts services in Tamil Nadu. Targets 100 million subscribers by 2011.

Conversations for a Smarter Planet: #5 in a Series



Smarter money for a smarter planet.

Money today has been reduced to zeros and ones. Most of the world's 'money' flows from a paycheck to a bank to a store and then, through the store's supply chain, only to be deposited in another business's account.

Without question, electronic money has helped the world's economy grow and prosper. This digitization has contributed to advances like ATMs, credit cards and online banking. The transformation happening underneath is far more profound. Unprecedented computing power and advanced analytics turn oceans of ones and zeros into insights, in real time. Which means we could have a safer, more transparent and intelligent financial system for a smarter planet.

We see many of these changes happening in India today. By embracing Information Technology, banks in India are today servicing customers better and making forays in previously untapped markets - like rural areas. Risk reduction, real time application of data and transparency are some of the benefits that the industry is enjoying today. IBM today remotely hosts and manages the entire IT infrastructures of small, co-operative banks like the Madhav Nagarik Sahakari Bank in Rajasthan and the Kurmanchal Bank in Uttarakhand. This enables the banks to provide services like Internet banking, mobile banking and ATM facilities to semi-urban and rural customers, expanding their reach to the most remote corners of the country.

We also see it happening at the level of national governments. The newly integrated information system for the Czech Republic Ministry of Finance, for instance, provides insights to help set monetary policy, and to handle state budget resources and public finance more efficiently.

We see it helping multiple interconnected institutions. The Operational Riskdata eXchange Association, a consortium of 52 leading financial institutions, uses data to help improve statistical modeling, accurately quantify risk exposure and address regulatory compliance needs.

These changes are exciting, but more are needed. Because the benefits of smarter finance are clear – for regulators, bankers, investors, companies and communities, rich and poor around the world, all of whose prosperity depends on a money system that is stable, secure and accessible to all.

Let's build a smarter planet. Join us and see what others are thinking at **ibm.com/smarterplanet/in/banking**

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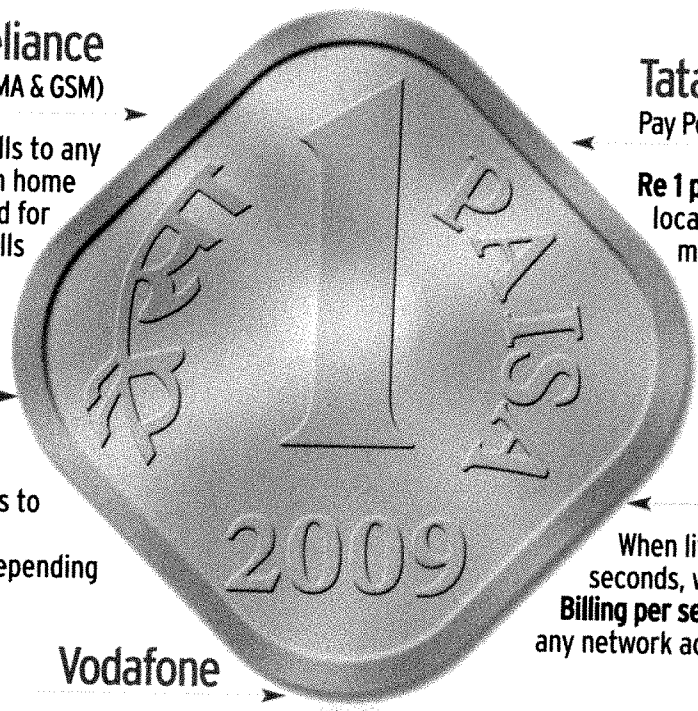
Mobile Tariff Wars

Tata DoCoMo's aggressive pricing has rocked the market. And the regulator adds to the fear factor. KUSHAN MITRA & K.R. BALASUBRAMANYAM



Simply Reliance
(both CDMA & GSM)

50 paise per minute for calls to any phone across India from home location and for incoming/outgoing calls while on roaming.

Airtel Advantage

50 paise per minute for calls to any Airtel mobile number in the country. Calls to other network charged at 60 paise-Re 1 per minute depending on the customer pack.

Tata Indicom
Pay Per Call

Re 1 per call to any local network, no matter how long (Not applicable in Maharashtra and Goa)

Tata DoCoMo

When life changes in seconds, why pay in minutes? **Billing per second** for calls to any network across India.

Vodafone

Local calls and regional STD at **50 paise per minute** (In Karnataka, all local/STD calls at 50 paise per minute).

Tata Teleservices Ltd. (TTSL) knew it had to be different with a capital D if it was to stand out from the crowd of mobile operators with their fancy commercials, brand ambassadors and tariff plans. But what it did next when launching its GSM service is still sending tremors through the price-competitive market.

The Tata Group company bet on its highly-rated network quality to offer a one paisa per second pricing for local calls for its new GSM offering—Tata DoCoMo. Since then, TTSL has been gaining subscribers faster than its rivals.

As Anil Sardana, TTSL's Managing

Director, boasted to *Business Today*: "No one else has the guts to launch such a plan."

For the industry, Shock #2 came in the first week of October when, at the International Telecom Union's meeting in Geneva, J.S. Sarma, Chairman, Telecom Regulatory Authority of India (TRAI), spoke off-the-cuff that TRAI would study whether "per-second" billing should apply to all.

When the news reached India on October 5, the three large listed telcos—Airtel, Reliance Communications and Idea—lost over 10 per cent as investors figured that a per-second tariff would ravage bottom lines. TTSL is not listed.

Why the panic? Average Revenues Per User (ARPUS) have been declining sharply. TRAI's latest report showed that ARPUS for GSM users declined to Rs 185 per month in the April-June quarter from Rs 205 the previous quarter. ARPUS for CDMA users declined to Rs 92 from Rs 99 in the same period.

Sub-minute pricing plans had been tried—and dumped—in 2003 by both TTSL and its CDMA rival Reliance Communications, when they offered 15-second pulses to attract GSM users to the then new-fangled CDMA platform.

This time, Reliance Communications responded to Sarma's comment with a "Simply Reliance" scheme that offered a simplified price plan of 50 paise per minute for all calls. This seems to be the cheapest now.

Reliance Communications President Mahesh Prasad told this magazine that all other schemes would be terminated. Chennai- based Aircel was also matching Tata DoCoMo's offer, just as government owned Bharat Sanchar Nigam Ltd. was, albeit in pockets.

Reliance Communications is the #2 player with 84 million subscribers, so now everyone was trying to figure what market leader Airtel would do.

HOW WOULD THE NEW TARIFF PLANS HELP YOU?

CURRENT BILL

MONTHLY CHARGES: **Rs 999**
(with discounted call rates, free airtime and text messages)

AIRTIME USAGE CHARGES: **Rs 29.50**

MESSAGING CHARGES: **Rs 19.50**

ROAMING CHARGES: **Rs 164.50**
(As a pan-India operator, roaming is at discounted rates)

TAXES OF **Rs 124.88**

TOTAL: Rs 1,337.28

All charges monthly

We used a real-world bill of a post-paid mobile user to see what difference a per-second billing plan like Tata-DoCoMo's would make. We make some assumptions, such as Tata's claim that users get billed at least 17-23 per cent more on a per-minute pulse.

'PER-SECOND' BILL

MONTHLY CHARGES: **Rs 0**

AIRTIME USAGE (LOCAL): 686 minutes @ 60p/minute Rs 411.60- discounted 20 per cent = **Rs 329.28**

AIRTIME USAGE (STD): 119 minutes @Rs1.20/minute **Rs 142.80** - discounted 20 per cent = **Rs 114.24**

MESSAGING CHARGES: **Rs 28.50**

ROAMING CHARGES: No per-second billing, and as a non-national operator, rates could be higher. Assumed at **Rs 200**

TAXES (@10.25%) **Rs 68.88**

TOTAL: Rs 740.90

THE SAVING: Rs 596

The savings are huge, Rs 596 (or 44.6%) in this example. If high-end subscribers like this start migrating to "per-second" billing plans once Mobile Number Portability starts, operator revenues could nosedive.

Nothing. Said Manoj Kohli, CEO, Bharti Airtel: "We have faced these challenges in the past too... what we are pursuing is revenue market leadership, not numbers, which may not be active or paying."

TTSL's move has left a clear winner: the consumer. A TTSL executive claimed that, on average, users get billed "17-23 per cent more than the airtime they use, because no one talks 'exactly' for a minute."

The clear losers: the shareholders. According to analysts Edelweiss, Reliance's 50 paise plan assumes an effective revenue of 42 paise per minute, almost 30 per cent less than the industry average of 58 paise a minute in the first quarter of 2009-10. It cost Reliance 35 paise to deliver a minute of airtime, Bharti Airtel 40 paisa and Idea Cellular 42 paisa. But another equity house says the maximum revenue potential per minute for Reliance is just 35 paise per second.

Both Sardana and Prasad argue that they expect volumes to increase and so costs to come down. Industry insiders say older players like Vodafone-Essar and Airtel are not very worried because of their post-paid users, who yield a much higher ARPUS than the pre-paid ones. The only worry is that investments could suffer if revenues are in a pinch.

Also, a weak point is the significant dichotomy between subscriber growth and revenue growth. India's mobile subscriber base went up 50 per cent between June 2008 and June 2009. Revenues of listed telecom companies increased by under 11 per cent in the same period.

With operators left with just one card, pricing, they are praying that Sarma does not put down his thoughts on paper. ⊙

COMMENTS & FEEDBACK AT
btfeedback@intoday.com

Africa's Explanation

The termination of the proposed Bharti-MTN deal had more to do with the protectionist attitude of the South African government and a sneaking suspicion that India wasn't playing clean.

EDWIN NAIDU in Johannesburg

Calling it off: SA media reacts to the failed Bharti-MTN deal

There have been too many explanations and theories floating around as to why the much-hyped Bharti-MTN deal fell through. To get a grasp of factors leading to the failed deal, it is imperative to understand what the South African government felt and how public opinion was moulded in that country. This is especially since trade and business relations between the two nations, and indeed between India and the entire African continent, is a historical one, dating back several years, if not centuries. In recent years, multiple deals have been signed between India and African nations. So, why did Bharti-MTN fail where others have succeeded?

While many in South Africa believe the failed deal between the two telecom giants should not put the skids on future trade links but provide significant regulatory lessons

for both countries, the blame, they say, lies with both the companies as well as the governments concerned. Arthur Goldstuck, managing director of World Wide Worx, a Johannesburg-based telecommunications research company, believes there were two issues that killed the deal. The first revolved around the fact that Bharti would own MTN, though everyone seemed to pretend that this wouldn't be the case, thus creating an aura of mistrust around the deal in general. "Secondly the fact that the Indian government refused to relax its regulations on dual-listings, while expecting South Africa to relax its own requirements, meant there was a feeling that the Indian government wanted a 'have-their-cake-and-eat-it' situation," Goldstuck says. Indian ownership of MTN, he argues, was not an issue, since Vodacom, South Africa's biggest cellular operator, is British-owned and Cell C, the country's third-largest operator, is Saudi-owned.

Journalist Duncan McLeod, a columnist for the *Financial Mail*, on the other hand, says the failure points to a more protectionist approach by South Africa's government. "The country ought to be opening up to investors, not scaring them away," McLeod says.

The feeling that a national jewel was being sold off, however, is clearly evident from various statements made by the country's political leaders. Opposition to the deal from the government was strong with Communications Minister Siphiwe Nyanda insistent that MTN should remain a South African company. Outgoing Reserve Bank Governor Tito Mboweni described it as an important asset and that its key officers must reside in the country. "It would be sad if we saw this entity move into the hands and management of foreign nationals," Nyanda said in September.

McLeod sums it up when he says: "Most analysts feel that both governments didn't fully come to the table." Nyanda's statement though left him wondering. "That's a disturbing statement. It suggests that SA is closed to foreign investment if it leads to foreigners acquiring a controlling stake in an SA business."

The good news, many say (or hope), is that the breakdown in the merger would not dent Indian business participation in the continent. "There is a good and healthy Indian presence in South Africa, indicative of an open environment for Indian companies to do business in the country. However, for bigger deals to work in future, India will have to become more of an open environment," says Goldstuck.

Steven Ambrose, an industry analyst, while agreeing that the breakdown would not have a negative impact on future deals, also raises the patriotic pitch. "Africa is the fastest growing mobile continent and MTN is well placed to take advantage of this. With (average revenue per user) ARPUS dropping significantly for mobile networks in India, my sense is that Indian operators are looking for a way into the growing African market. MTN will not need an Indian operator to continue their growth in Africa and the Middle East."

Industry watchdog Andy October echoes this when he says the cellular industry in South Africa is regarded as "the family jewels" of the economy, and the government may have intervened because of an earlier experience when trade unions came out to protest Vodafone's Rand 21-billion deal to increase its stake by 15 per cent in Vodacom, thereby becoming the majority shareholder. "I think the government adopted a more cautious approach, choosing to hear all sides. There was most certainly politics at play," he says. He, however, also highlights the deep nationalistic feelings involved when he says: "MTN has a duty to their shareholder but the government has a duty to the nation. Telecoms should be viewed as a national resource and the government has a duty to protect national interest."

In the end, though, it boiled down to one simple fact: the regulatory frameworks of the two countries weren't ready for the kind of deal MTN and Bharti had in mind. This is a lesson that Indian companies seeking mergers in emerging markets will have to keep in mind in future. ⊙

FOREIGN ACQUISITIONS IN SA

- **In January 2006, South Africa's Competition Tribunal approved a R21-billion bid by Vodafone to increase its stake in local cellular company Vodacom by 15 per cent.**
- **In 2005, Barclays Bank paid R 30 billion for a majority stake in Absa Bank.**
- **In 2007, the Industrial and Commercial Bank of China (ICBC) purchased a 20 per cent stake worth $5.5 billion in Standard Bank Group Ltd., Africa's largest bank.**

"It would be sad if we saw this entity move into the hands and management of foreign nationals"

Siphiwe Nyanda, Communications Minister, SA

RAJESH JAIN,
ED & HEAD, ICE, KPMG (INDIA)

Challenges of Merger Integration

The real challenge for any deal of this magnitude will always remain its ability to overcome regulatory and sovereign obstacles.

This is by far the most extensively tracked transaction that was a result of the growing ambition of two companies to jointly build the world's third-largest telecom operator. The combined entity would have over 200 million subscribers, operations spanning across 23 countries and revenues of approximately $20 billion. But what made it more intriguing was the fact that both these players belong to emerging markets and that this deal attracted substantial political and legal attention.

The Bharti-MTN story traces back to May 2008, when the two telcos first entered into a dialogue for a possible merger. The first round of talks did not bear fruit due to a failure to decide which company would retain overall control of the combined entity and the subsequent bid put in by RCom. However, Sunil Mittal's dream to transform Bharti Airtel into an international brand name with global footprints was not thwarted and talks were revived in May 2009. Bharti and MTN were in exclusive discussions, with the deadline for a final decision postponed twice over. This time, clearly, there was a greater zeal from both ends to find the best way to join forces keeping in mind the learnings from their previous attempt at the merger and constraints in execution.

RAMEN SARKAR

The proposed deal included Bharti acquiring a 49 per cent stake in MTN, with MTN and its shareholders acquiring a 36 per cent economic interest in Bharti. The transaction was valued at roughly $23 billion and would have provided Bharti with an easy access to the growing African market, especially attractive in light of the saturation of the urban Indian market.

The deal and the broad structure that was being discussed by both sides had taken into account the sensibilities and sensitivities of both companies and their respective countries. The question that needs to be asked is—what really affected the ability of both parties to successfully conclude the deal? Potentially the triggers for the deal disconnect were:

Dual Listing: This issue perhaps came about probably much later in the deal discussions. This was a result of the interests of the South African government, given its own stake in MTN and its fear of diluting the telcos' local flavour.

Capital Convertibility: Structuring of the deal was always expected to be within the boundaries of prevailing capital convertibility laws of each country. Ultimately, the guidelines could not be met.

Deal Value: While not a major hurdle, it had to make commercial and economic sense to both parties. Given the size of the deal and multiple stakeholder interest, there were always demands for sweetening the deal further by some of the stakeholders.

Certainly the challenges of merger integration, whether organisationally or otherwise, would have been interesting to watch. Ultimately, while the deal may have made good strategic sense and would have created economic value for shareholders, the real challenge for any deal of this magnitude will always remain its ability to overcome regulatory and sovereign obstacles.

The failed discussions are definitely not the end of the road for either of these telecom giants. They will certainly continue to look at inorganic opportunities for growth with operators in geographies they wish to enter. And as Mr Sunil Mittal said: "It is my job to move forward and not look back." ⊙

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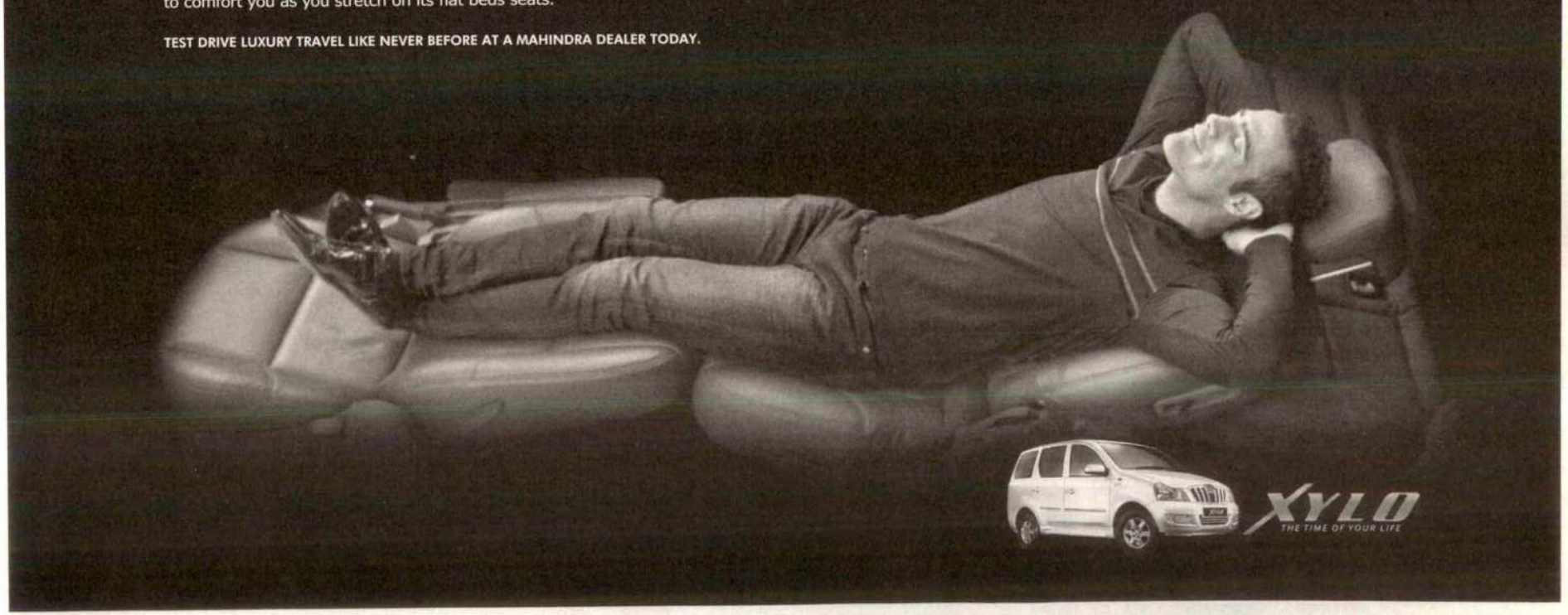

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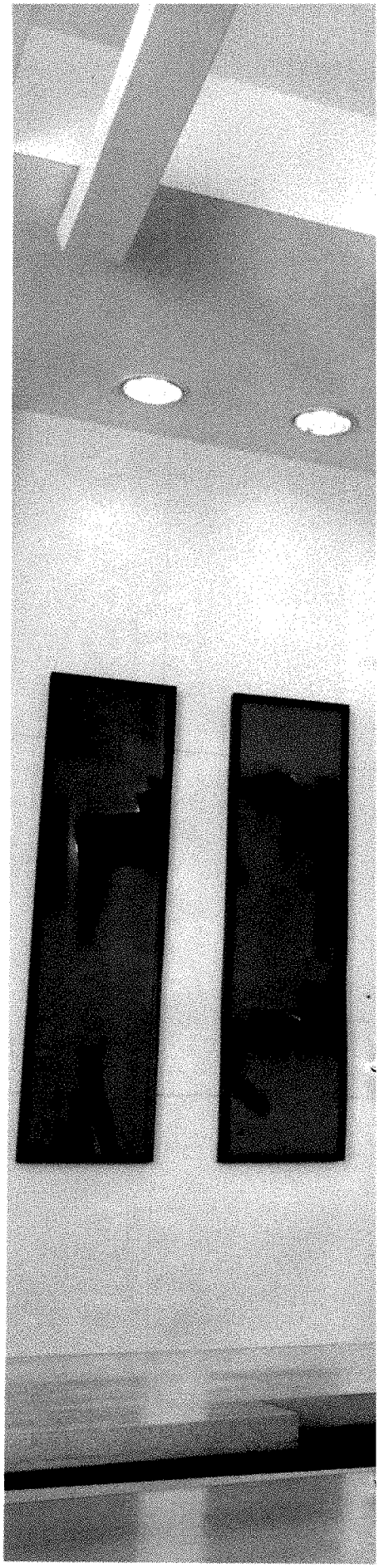
INTERFACE 981574

JIGNESH SHAH'S FINANCIAL ECOSYSTEM

The Co-founder of Financial Technologies wants to create a global network of exchanges that cuts across asset classes. At the same time, he is chasing upstream and downstream opportunities that range from depositories and payment gateways to information vending. Is Shah biting off more than he can chew?

VIRENDRA VERMA



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As lines go, these could easily qualify as two of the more catchy ones amongst India Inc.'s surfeit of vision statements. But for Jignesh Shah, Co-founder of the Rs 500-crore Financial Technologies (FT) Group, those mantras are much more than beguiling buzzwords. The 42-year-old entrepreneur, who started out 15 years ago as a technology provider to stockbrokers and went on to start a commodities futures trading exchange which today does average daily trading volumes of Rs 22,000-23,000 crore and which has a virtual monopoly, is dead serious about his unique model for financial inclusion. Along with 40-year-old Co-founder & Director (Technology) Dewang Neralla, Shah is determined to take the financial markets—across asset classes like equities, commodities, currencies and bonds—to the common man at an affordable cost. The business of exchanges will doubtless be the core of FT, but there's more: Around that nucleus, Shah is almost fanatical about grabbing upstream and downstream opportunities that range from depositories and payment gateways to information vending—that's Shah's vision of what he terms a financial ecosystem created on a backbone of technology. Shah's dream is to offer data and transactions at the lowest possible price points in a manner similar to which sachets revolutionised the sale of shampoo in rural markets. At the other end of the spectrum, he is taking his exchange network overseas, riding on the front-end technology created in the late nineties.

"FT will seize the opportunity to widen, deepen, broaden and democratise the markets and drive financial inclusion," says Ravi K. Sheth, Executive Director, The Great Eastern

FT Co-founder Jignesh **Shah:** Dreaming big

THE FT POWERHOUSE

National Spot Exchange

STARTED IN: 2008
SERVICE: Electronic commodity spot trading.
GROWTH DRIVER: **Rs 17.50 lakh crore** physical trade market in commodities.

National Bulk Handling Corporation

STARTED IN: 2007
SERVICE: Commodities storage, facilitating credit against commodities.
GROWTH DRIVER: Agri credit by banks to increase to $95.6 billion by 2012 from $31 billion in 2006-07. Investment of $30 billion in retail and food processing by 2011.

atom technologies

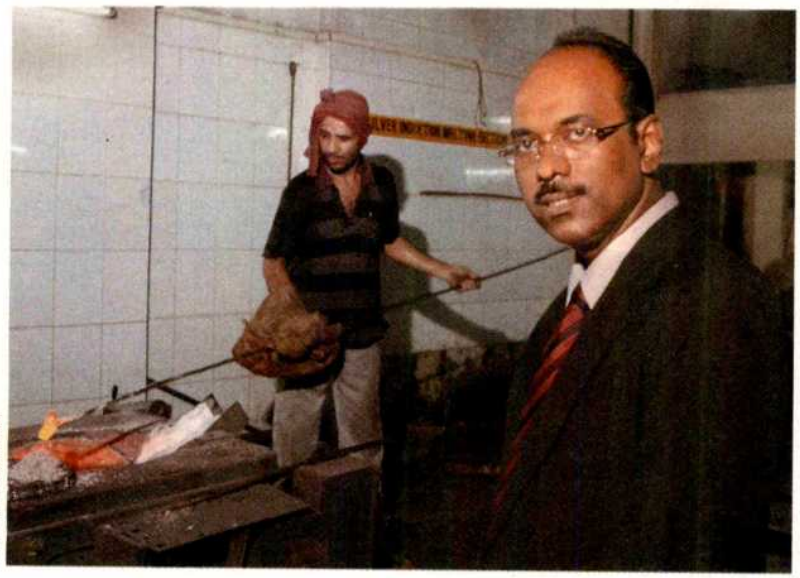
STARTED IN: 2005
SERVICE: Payment processing technology through telephones.
GROWTH DRIVER: Growth in mobile penetration at an average of 10 million new connections per month.

TickerPlant

STARTED IN: 2005
SERVICE: Real-time data and news information through mobile and Internet.
GROWTH DRIVER: Increased mobile population; low entry price points services.

FT Knowledge Management

STARTED IN: 2007
SERVICE: Financial education and training.
GROWTH DRIVER: Rising investor base; demand for financial education and training.



UMESH GOSWAMI

ANJANI SINHA, MD & CEO, NATIONAL SPOT EXCHANGE

"Realisations are higher for commodities through the spot exchange"

Shipping Company, and an investor in Financial Technologies (India) since 1999. "FT's strategy is based on driving financial inclusion by reaching out to the bottom of the pyramid as this will drive future business," adds Sanjeev Patkar, Director (Research), Dolat Capital, who has been tracking the company since 2003.

Let us see how this works. The starting point would, of course, be the commodities futures bourse, the Multi Commodity Exchange of India (MCX), where Shah is in a position to lower transaction charges, thanks to in-house low-cost technology. From there, he moves on to providing farmers warehousing space for their output as well as credit, via the National Bulk Handling Corporation (NBHC). Then there's also the National Spot Exchange, a commodity exchange set up in 2008, which creates a common market at the national level. Shah is also using the increasing mobile phone penetration to provide real-time data and news information at affordable price points. "Our objective is to empower the masses and enable them to utilise our services at an affordable price," stresses the Chairman & CEO of the FT Group.

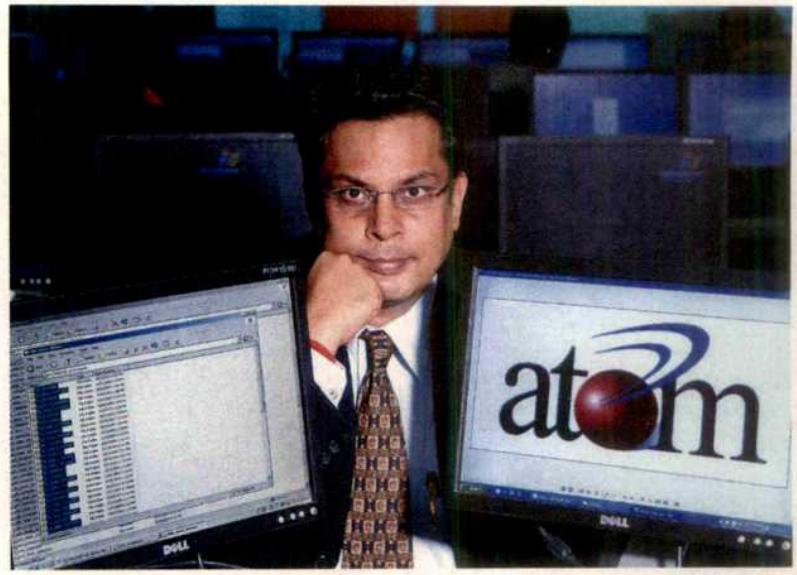
Shah's vision—as he sees it, arguably a bit grandiosely—is to become the Toyota or Sony or Microsoft of the financial ecosystem. Shah wants to make FT an international name by doing what Toyota, Sony and Microsoft have done: Provide the best products at attractive prices.

To talk about FT in the same breadth as those global multinationals sounds downright heretical, but then Shah has always dreamt kingsize. After all, here is a man who went on from being an employee at an exchange to setting up one after years of mastering the technology that's needed to run a bourse. "Jignesh takes risk and finds opportunities where few think of looking," says Nikunj Doshi, Senior Portfolio Manager, Envision Capital, who has been following FT since 2000. Indeed, when the government invited corporates early in the decade to set up a commodity exchange, it was flooded with proposals from all the major stock exchanges and a heavyweight consortium comprising ICICI, NSE, NABARD and LIC (which eventually went on to set up NCDEX). Shah was the rank outsider.

Soon, predictably, Shah began looking beyond exchanges, but along the same value chain. In 2007, he started NBHC with India's largest bank State Bank of India (SBI). NBHC was started as a warehouse for commodities traded on the MCX and National

Spot Exchange—till Shah saw an opportunity to offer these facilities to farmers and small traders to store commodities. NBHC also, pretty innovatively, became a vehicle to facilitate credit from banks based on a farmer's output. "Banks lend to farmers only at the pre-harvest stage. But farmers also need a lot of bank support post-harvest," explains Anil K. Choudhary, Managing Director & CEO, NBHC, and a former banker with SBI. NBHC takes the entire responsibility of storage, maintaining the quality of the commodity, and verifying its value.

Here's a closer look at NBHC in action: A farmer who wants to avail credit against grains or commodities



UMESH GOSWAMI

DEWANG NERALLA, CO-FOUNDER & DIRECTOR (TECHNOLOGY), FINANCIAL TECHNOLOGIES

"The objective is to allow people to trade in various asset classes at a reasonable price"

informs NBHC, which, in turn, follows up with a little over 30 banks across India; the money is eventually transferred into the farmer's bank account directly. This makes good business sense for NBHC—last fiscal, it had net profits of Rs 9.5 crore on a turnover of Rs 104 crore. NBHC is now attempting to get locals to lease out their land for its warehouses, thereby reducing its investments. That's helped the company ramp up to close to 3,000 warehouses in 1,000 locations in 18 states over the past two-and-a-half years. NBHC claims it has helped farmers avail of credit worth Rs 700-800 crore during this period.

NBHC got a boost last year when the Warehousing Act came into force. This enables warehousing receipts—those issued by NBHC against which farmers get bank credit—to be treated as negotiable instruments. This, in turn, enables farmers to sell their output on a commodity exchange rather than at the local market or *mandi*. The upside for NBHC: It gets to charge—the farmer as well as the bank—for these services. It charges farmers 25 basis points and banks 25-75 basis points for the credit facility. Experts believe once the Warehousing Development & Regulatory Authority is in place, it will give a new thrust to the business of warehousing.

The National Spot Exchange complements the business of warehousing and warehousing receipts nicely. "There is a 5-6 per cent higher price realisation for some commodities through the spot exchange," claims Anjani Sinha, MD & CEO, National Spot Exchange. A farmer sells the commodity on the electronic exchange and eliminates intermediaries like traders from the local spot market.

A hurdle for FT is the Agriculture Produce Market Committee (APMC) Act, which does not make a provision for electronic spot trading. The good news, though, is states like Maharashtra, Madhya Pradesh, Gujarat and Rajasthan have amended the Act to allow electronic spot trading (in Gujarat, 25-30 per cent of trading in certain commodities is through the exchange rather than the *mandis*). More states are expected to follow suit. The FT Group has been doing its bit to point to the advantages of trading via its exchange. Through the spot exchange, for instance, it plans to bring more transparency in the spot bullion market by setting up Indian Bullion Market Association, a venture with various bullion traders. "India is always a 'price taker' rather than a 'price setter' despite being the biggest consumer of gold," says Sinha. The plan is to have a local reference price for the bullion and also sell gold and silver coins at a price that's 10-15 per cent lower than what banks charges to individuals. For this, it has identified the refineries in India where such coins can be made and will soon start selling them.

Meantime, the FT Group is building on its key strength—in-house technology capabilities—to penetrate

EQUIPPED FOR GROWTH

- Cash of a little over **Rs 1,100 crore** till June 2009.
- Revenues of **Rs 500 crore** and a net profit of over **Rs 200 crore** in year-ended March 2009.
- Cumulative average net profit growth of **114 per cent** in the last five years.

deeper with its information and transaction facilities. Group company atom technologies has developed a technology to help do banking and other financial transactions (like spot trading) via the mobile phone. The same platform is being used to launch TickerPlant, a product that provides data and information services like weather reports, news, and commodity prices. "Eventually, the objective is to allow people to trade in various asset classes at a reasonable price," says Neralla.

Even through its stock exchange venture, FT plans to reach out to far-flung areas. The plan is to take the battle to the leader, National Stock Exchange (NSE). The NSE had operating profit margins of almost 75 per cent and a net profit margin of 50 per cent for the year ended March 2008 (which is the latest data available). Analysts say if the MCX Stock Exchange is able to cut charges by half, it will still make money even as it eats into the NSE's share. Another plan for the equity exchange is to have an exchange for the SME segment. "Our plan is to add better technology and service at a better price," says Joseph Massey, MD & CEO, MCX Stock Exchange. It also plans to leverage on the reach of MCX and its over 2,000 members (the NSE has over 1,000 members).

Nikhil Vora, MD (Research), IDFC SSKI Securities, clubs Shah with pioneering entrepreneurs like Kishore Biyani (Future Group), Naresh Goyal (Jet Airways) and Subhash Chandra (Zee Group). But the difference ends with the vision. When it comes to execution, says Vora, Shah stands apart on the financial front—he hasn't had to stretch his balance sheet to fund his growth binge, not yet at least. "In the past, FT has been able to grow on its own balance sheet and is currently sitting on net cash of $350 million," he points out.

Shah may be pulling out all stops to get to the pyramid's bottom, but that isn't stopping him from spreading wings in his core business of exchanges. FT has zeroed in on Asia and Africa, where it will be setting up five exchanges of multiple asset classes. For example, the Singapore Mercantile Exchange will offer derivatives trading in multiple asset classes (the only other exchange is the SGX (Singapore Exchange), which offers trading in equity and equity-linked derivatives products. "Asia and Africa will be the fastest-growing regions for the next decade," says Shah.

With 10 exchanges in India and outside, the long-term plan is to connect all of them and compete with the large global exchanges. Technology is not a worry for Shah; the biggest hurdle, however, is the regulatory environment. "Capital account convertibility is the biggest challenge," shrugs Lamon Rutten, MD & CEO, MCX, which was set up in 2003. What works in Shah's favour are the cost dynamics. "FT can set up an exchange at almost one-fifth of the cost international exchanges would incur—at between $5 million and $15 million," says Vora of IDFC SSKI Securities.

So, can Shah pull off his grand game plan of building an international—and a unique—financial ecosystem? Aside from regulatory uncertainties, other risks in his model include the willingness of non-urban consumers to adopt and adapt to his technology; also, analysts point out that scaling up the warehousing business may prove tricky as FT penetrates deeper upcountry. Yet, Shah's entrepreneurial endeavours just wouldn't be the same without the risk element. What's more, the risk-to-reward equation has worked well in his favour—so far. ⊙

UMESH GOSWAMI

ANIL K. CHOUDHARY, MD & CEO, NATIONAL BULK HANDLING CORPORATION

"Banks lend to farmers at the pre-harvest stage. But farmers also need support post-harvest"

WHAT CAN GO WRONG

- **Competing head-on with NSE won't be easy.**
- **Absence of capital account convertibility is a huge challenge.**
- **Non-urban consumers may have problems adopting and adapting to his technology.**

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The Parachute Brigade

Marico is an Indian multinational with a difference—it is powering its overseas business by becoming a part of life in West Asia, Africa and even Bangladesh.

ANUSHA SUBRAMANIAN

Marico was in a fix: its Parachute hair oil was a hit with Indians in the Gulf, but why were Arabs shunning it? Well, apparently because they preferred hair creams to oils. Word went back to headquarters in Mumbai: Send cream, not oil. The result: Parachute Advanse Hair Nourishment Cream, launched in the UAE in 2001. Since then, Marico's sales in the region have never slowed. Better still, Marico decided to try the cream back on its home turf and launched it in 2005 as an after-shower cream, and now has 19 per cent of the hair creams and gels segment.

Little wonder that Marico today has a Rs 500-crore international business group with a footprint in West Asia and Africa, having grown its exports from just Rs 2 crore in the '90s, when it rode the coconut oil wave to Dubai. The secrets of Marico' success: localisation coupled with transfer of learnings, as it acquired local firms or set up its own channels and manufacturing bases.

Marico's Acquisitions

OCT. 2005: Acquires soap brands Camelia and Aromatic in Bangladesh.

SEPT. 2006: Enters the Egyptian market by acquiring Fiancee.

JAN. 2007: Acquires HairCode, its second haircare brand in Egypt.

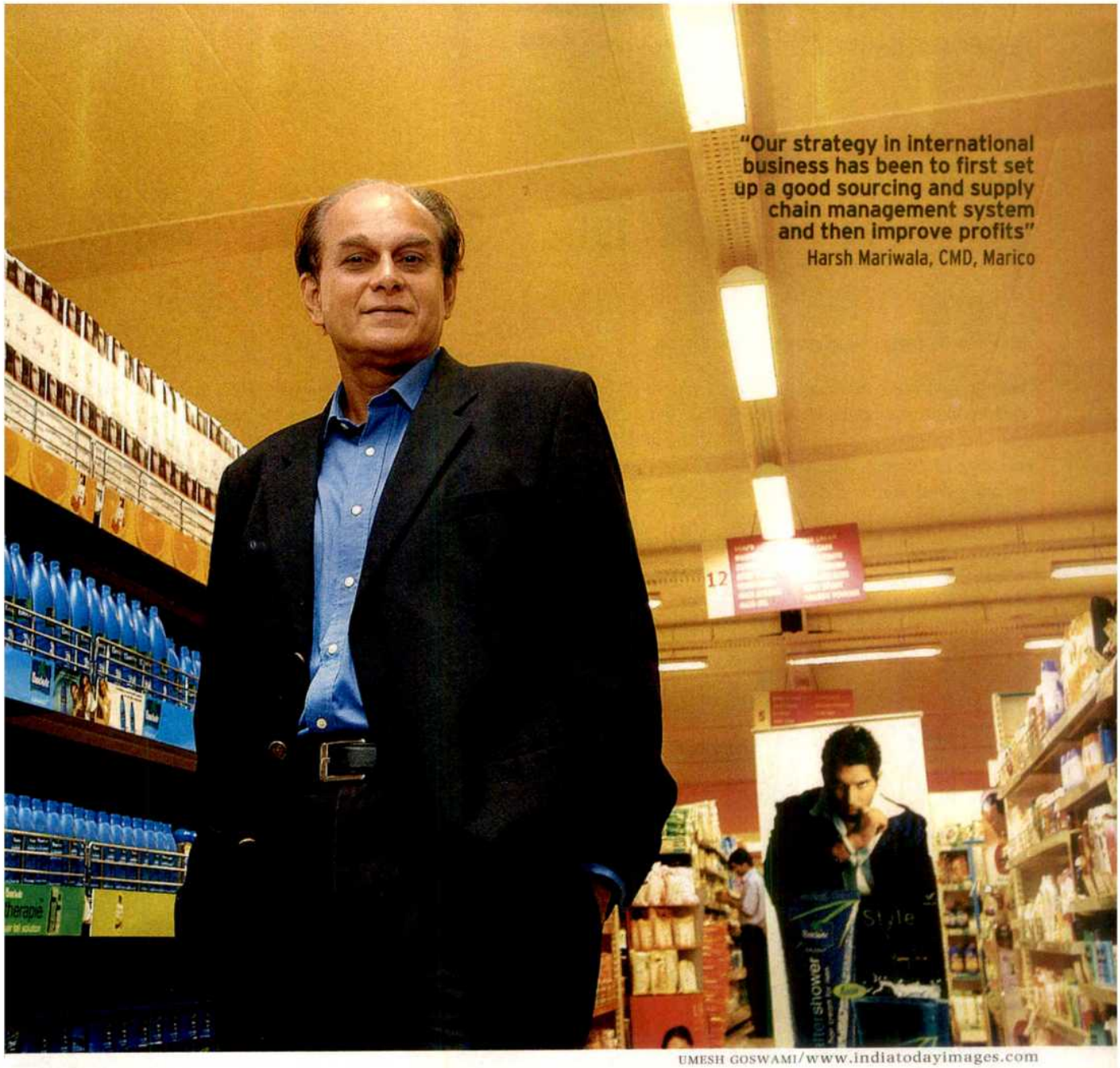
OCT. 2007: Enters South Africa by buying unit of Enaleni. Gets three brands—Caivil, Black Chic & Hercules.

NOV. 2008: Marico's third factory in Egypt gets going; looking to enter Libya, Morocco, Sudan and Algeria.

"We could have tagged the export business along with the domestic business but it would have not got good focus. International business had to have a separate focus and be managed differently," says Harsh Mariwala, Chairman and Managing Director, Marico, explaining the formation of the IBG, which now accounts for over one-fifth of the group's total turnover (Rs 501 crore out of Rs 2,388 crore in 2008-09) growing at a compounded annual rate of 40 per cent.

Striking Roots

For Marico, the Gulf was a good



UMESH GOSWAMI/www.indiatodayimages.com

launchpad for its global forays. After the hair-creams-not-oils lesson, Marico was quick to adapt other practices. Now, Parachute cream has become the #1 player with a market share of 23 per cent in the Gulf Cooperation Council (GCC) region. The business grew out of Dubai into all the GCC countries across West Asia.

Next stop: Bangladesh, in 1995, where Marico set up a separate company (it got listed on the local bourse this September) that has grown from nothing to become the third-largest multinational after Unilever and Nestle in the FMCG space.

Marico Bangladesh Ltd (MBL), which has 74 per cent of that country's market for branded coconut oils, replicated and localised its Indian innovations. So MBL has some world-class television commercials, distributor software with bills in Bengali, sales teams carrying PDAs that can read Bengali and a web-based monitoring portal.

Debashish Neogi, CEO, MBL, says: "After entering the Bangladesh market, we soon realised that it was not advisable to have a purely 'India forward' approach. So our biggest challenge was to de-link without sacrificing the best practices from India."

"The successful cultural integration and glocal approach has helped MBL to grow exponentially," Neogi says. MBL is the largest Indian FMCG company in Bangladesh, with a top line of Rs 275 crore for the year- ended March 31, 2009. Three-and-a-half years ago, revenues were at Rs 72 crore.

After having established its presence in Bangladesh and the GCC region, Marico forayed into the MENA or Middle East & North Africa region and South Africa through acquisitions.

In September 2006, Marico entered Egypt by acquiring Fiancee, a family-owned brand and after three months

Global vs Local

Revenue	2004-05	2005-06	2006-07	2007-08	2008-09	5-year CAGR
GLOBAL	95	116	190	307	501	40%
TOTAL	1,007	1,144	1,557	1,907	2,388	19%

Figures in Rs crore unless otherwise mentioned

went on to acquire HairCode, along with manufacturing units. It was here that Marico acquired a unique category called gel cream. "We are experimenting with it now and prototyping the product in India," explains Vijay Subramaniam, CEO, IBG, Marico.

In October 2007, Marico acquired the Consumer Division of South Africa's Enaleni Pharmaceuticals Pty Ltd. for Rs 52 crore and secured three brands in the bargain—Caivil, Black Chic and Hercules. From South Africa, Marico has expanded into neighbouring Angola and Botswana.

Foundation and Empire

Overall, in the last 36 months, Marico has notched up seven acquisitions, of companies as well as brands, in Bangladesh, Egypt and South Africa.

"We were keen on emerging markets because the growth rates in these markets would be higher. Even with a GDP of 5-6 per cent the growth rates would be higher," says Chaitanya Deshpande, Head, M&A and Investor Relations, Marico.

So has this growth been largely inorganic? No, says Subramaniam, and adds: "IBG has been growing at a 5-year CAGR of 40 per cent and of this 33 per cent comes from organic growth."

Subramaniam cites three significant shifts in Marico's strategy as it grew. First, it went on a mergers and acquisitions spree. Second, it gave up its India-centric approach and localised its offerings. Third, in the process, it has gone from being an oil company to one with gels, creams, lotions et al. "That's how we are moving across the curve," he says.

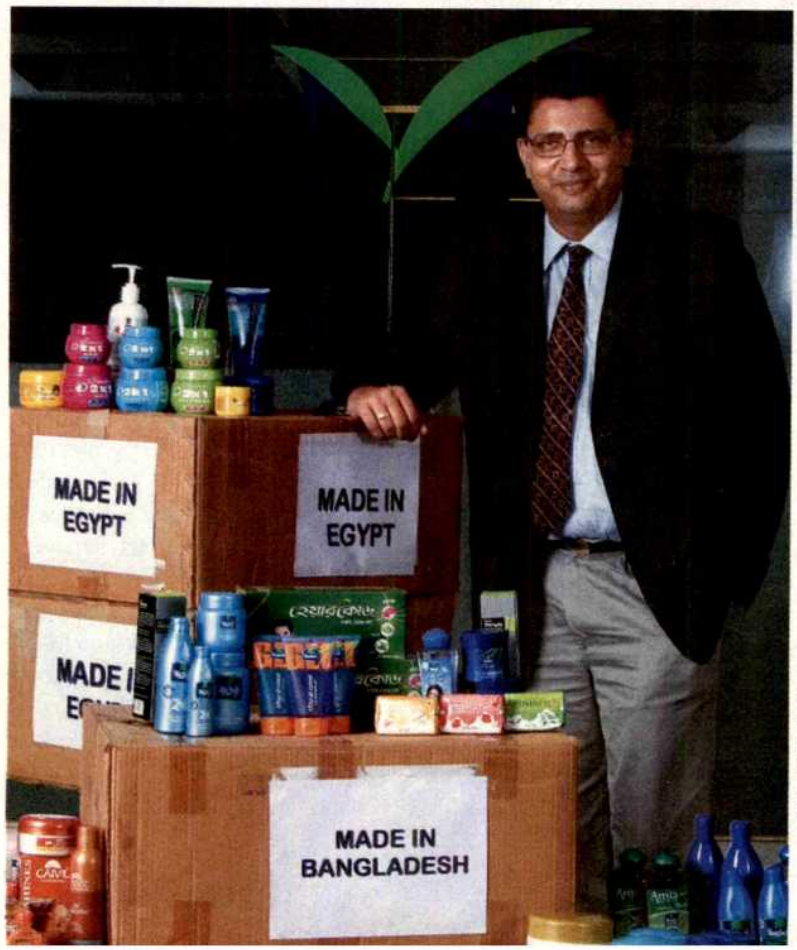
The IBG gets almost 66 per cent of its business from Bangladesh, Egypt and South Africa, notes Kaustubh Pawaskar, Analyst-FMCG, at brokerage Sharekhan. "The major contribution to the international business, of approximately 36 per cent, is from Bangladesh, where the shift from loose oil to branded coconut oil has boosted growth," he says.

In Egypt, Fiancee and HairCode command over half the post-wash haircare market. In South Africa, while Marico leads in niches, at an overall level its share would be around 10 per cent of the ethnic haircare space. According to analysts, Egypt contributes about 15 per cent to the overall growth of IBG.

"We expect the Egypt business to grow at 25 per cent in FY10 thanks to

"One needs to be adaptable and flexible to deal with ambiguity and uncertainty... Localisation is the key to overseas markets"

Vijay Subramaniam, CEO, IBG, Marico



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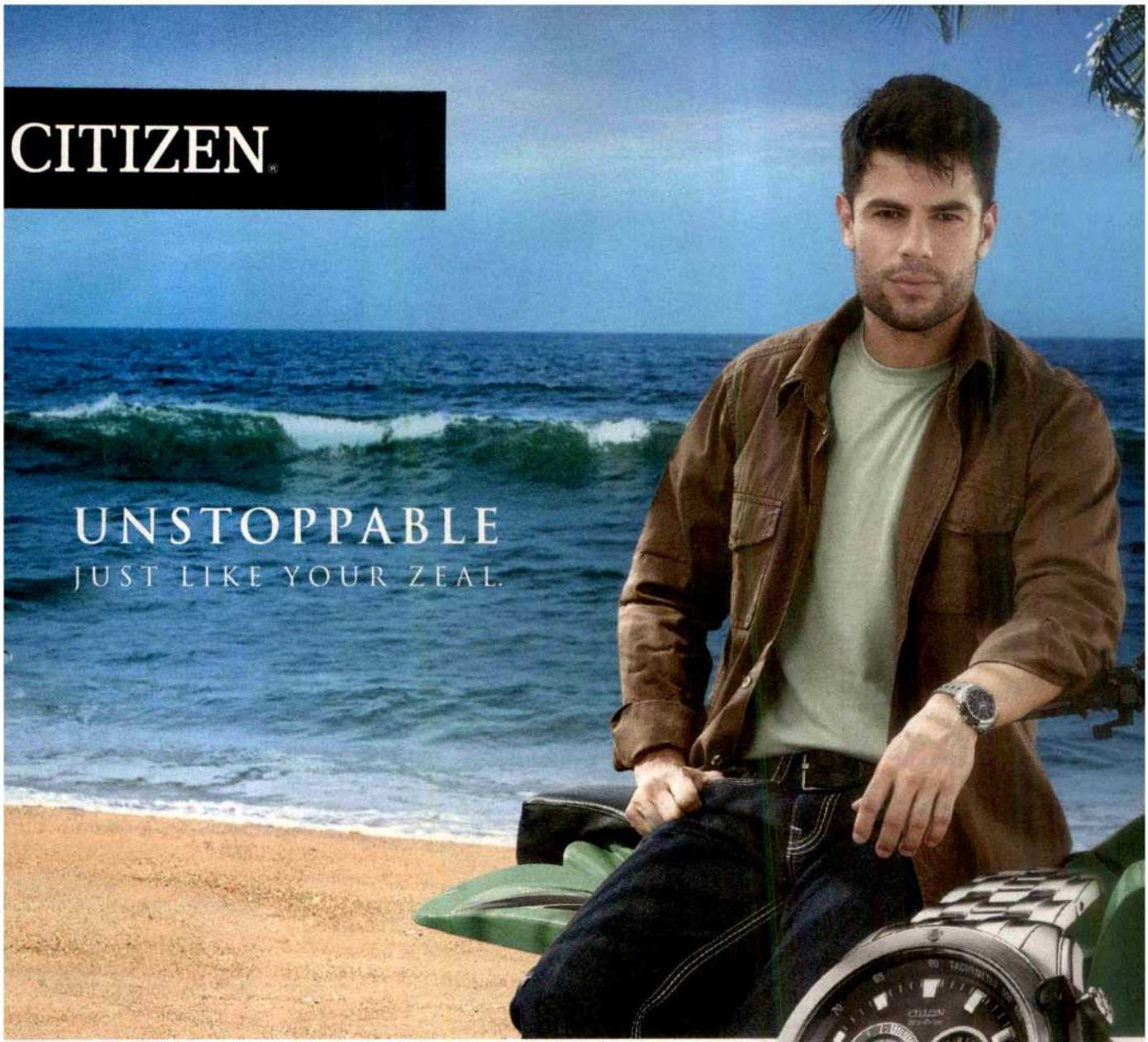

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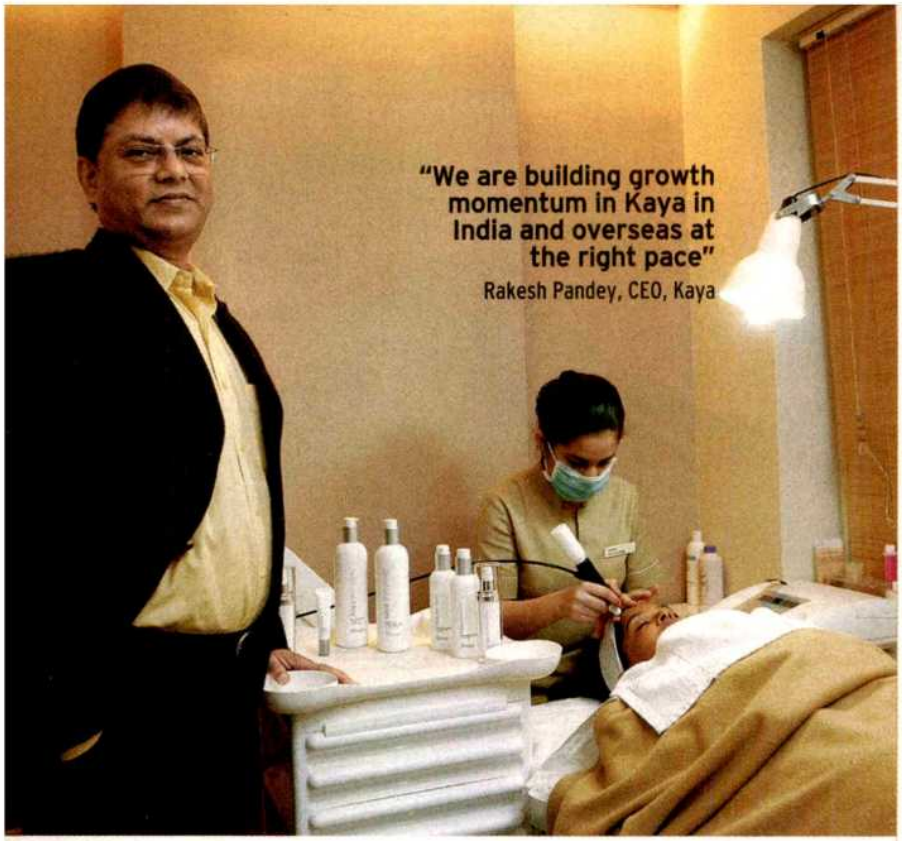

UMESH GOSWAMI

Getting Under the Skin

Kaya Skin Clinic, Marico's venture in skincare, also has robust international operations. Kaya began in West Asia towards the end of 2003 with the launch of its first clinic in Dubai; today, there are 11 clinics across nine cities in the United Arab Emirates and two in Saudi Arabia.

For the year-ended March 31, 2009, Kaya, a separate company, posted a turnover of Rs 120 crore, of which one-third came from the international operations.

Rakesh Pandey, CEO, Kaya, says: "We are building growth momentum in Kaya in India and overseas at the right pace."

But at its first clinics in Dubai—at Jumeirah and the Sultan Centre—customers did not come flocking. Realising that locals spent a lot of time at the malls, Kaya set up touch points at Abu Dhabi's Marina Mall and the women-only Kingdom Mall in Riyadh and Red Sea Mall in Jeddah.

Recalls Sameer Srivastav, Business Head of Kaya for Middle East & North Africa: "When I assumed the role of business head, I didn't have the slightest clue about the West Asian market realities."

He decided to begin not with facts and figures or market shares, but with people dynamics, the Arab consumer, her lifestyle and psyche. TV advertising was out, so Kaya had this popular Laser Radio spot urging customers to visit the nearest Kaya Clinic rather than fly to London or Paris for a skin treat.

Backing this with high levels of service, Kaya earned the trust of Arab women, who saw it as a high-end international chain.

Kaya's biggest challenge, says Pandey, is in getting "regional talent with adequate corporate exposure and expertise." Just as it was for its parent Marico, Kaya's biggest learning has been: Get into the skin of the region to succeed.

From West Asia, Kaya Skin Clinics have travelled to Bangladesh, and the company is evaluating Egypt and other markets where Marico has a presence.

the restructuring of its distribution set-up, internal sourcing and also having its own manufacturing plants," says Sharekhan's Pawaskar. The overall strategy has also given the company good cash flows: Rs 185 crore in the last financial year.

Challenges: So Far So Good

Every country poses its business challenges, and the key is to adapt and learn, Subramaniam says. "One needs to be adaptable and flexible to deal with ambiguity and uncertainty in these markets," he says. "Localisation is the key."

While business challenges remain more or less the same for most countries around the world, Milind Sarwate, Head, HR and Strategy, says Marico faced many HR challenges, not the least being its fiercely independent nature, unlike western MNCs, which are instruction-led.

"Our challenge was, how can we run overseas operations? Can we run it the way we do in India where we believe in empowerment?" says Sarwate.

As for integration, Marico has followed different models. "In Egypt, when we built a new office, we built a prayer room. Chairs in our office are placed sideways instead of facing the host, as eye-to-eye contact here is considered rude," Sarwate says.

Today, most of Marico's overseas operations are manned by locals, barring a few Indians like Neogi of MBL.

With the acquisitions settled, Marico now wants to take its acquired brands across markets. So, it will use Egypt and South Africa to tap neighbouring countries. "While we eventually plan to take the Egyptian brands to West Asia, we are also looking at Libya, Morocco, Sudan, Algeria to expand the business," says Deshpande.

And Mariwala's parachute brigade is well prepared: it has three manufacturing units in Egypt and plans to make the country its manufacturing base for the MENA region.⊙

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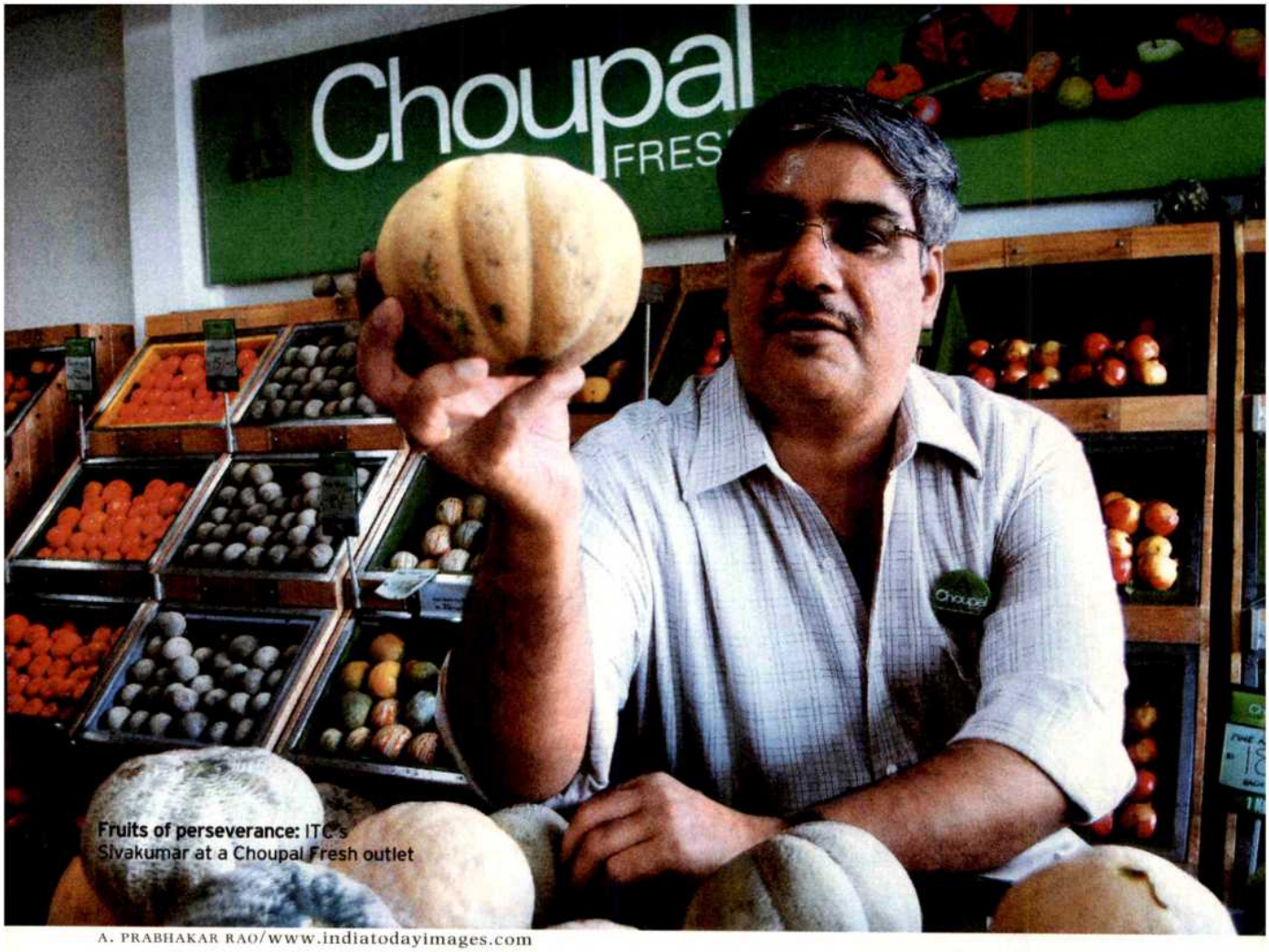


Fruits of perseverance: ITC's Sivakumar at a Choupal Fresh outlet

A. PRABHAKAR RAO/www.indiatodayimages.com

When you run Corporate India's largest, most ambitious and most celebrated rural initiative, you better know the following:

- That adversities could crop up unexpectedly.
- That some adversities can be turned into opportunities.
- And that every little opportunity has to be made most of.

It was so with ITC, the company behind the e-Choupal initiative that had reached four million farmers in six states in six years till 2006. At one point, the company was opening 5-6 e-Choupals a day and had a target of reaching 100 million farmers. That hit a roadblock of sorts in 2006-07. The very basis of the e-Choupal's core business—commodity sourcing from farmers directly—was endangered with the government clamping down on companies trading with farmers directly. The trigger for the government reaction was the spike in wholesale price inflation, which rose close to double-digit figures in case of some commodities in 2006-07. Though the impact varied from state to state, the larger foreboding was loud and clear: The acts of government taken in the national interest could hobble e-Choupal's anchor business, even if temporarily. What does the company do then? Roll out plans for Version 3 of e-Choupal that will add at least two more anchor businesses to start with and deepen the engagement with individual farmers way beyond what was being done in Version 1 and 2. "The idea is to discover new anchor businesses and try and insulate the e-Choupal model from the risks of reversal in government's agri reforms," says S. Sivakumar, Chief Executive, Agri-Business, ITC, and the man who scripted the e-Choupal model of business.

Technologically, it would mean adding mobile phones to the existing channels of Net-based computers and

1,2,3 of e-Choupal

»VERSION 1.0
The Start

IDEA: To give power of scale to small farmers by aggregating them as sellers (of produce) and as buyers (of farm inputs)

FARMERS' GAIN: They get bargain and choice—the two key virtues of competition

ITC'S GAIN: Access to inputs for its agri business; offer the use of network to other companies

e-Choupal Version 3.0

ITC is prototyping a new script for its e-Choupal initiative to take engagement with farmers to the next level—co-creating with farmers and harnessing their entrepreneurship. E. KUMAR SHARMA

»VERSION 2.0
The Scale-Up

REACH: By 2006, 40,000 villages covering 4 million farmers

OFFERING: Network now offered five services:

- Information: weather, price, etc.
- Knowledge: farming methods, soil testing, etc.
- Purchase: Seed, fertiliser...to insurance
- Sales: Farmers sell crops to ITC centres
- Other: Cattle care, water harvesting, women employment etc

»VERSION 3.0
The Deepening

NEW BUSINESSES: Add two new anchor businesses: 1) Rural jobs and employability and 2) Personalised agri services. Plus strengthen existing commodity sourcing

MORE INTERACTION: Through Choupal Saagars and Haats and via mobile phones

NEW TECHNOLOGY: Use of especially enabled mobile phones, in addition to PCs, for two-way interaction with farmers; use of analytics; new partners

Choupal Saagars, the one-stop shops catering to all the needs of the rural community. As the company scoped around for new opportunities, it found many—some emerging from the adversities that have got it rethinking. These opportunities not only make transition to Version 3 possible, but also help modify the existing strengths of Version 1 & 2 *(see box above)*. It's spotting of these opportunities and turning them into current and future businesses that has become a case study in persevering with rural India.

Opportunity: Farmers willing to invest more
Response: Offer them services they really need, and are willing to pay for

Though the average farm productivity is still low in India, the last 10 years have seen an unprecedented rise in farmers' income. This has been driven by a record increase in the price of agricultural produce (government's minimum support prices for food grains alone have risen by 30-90 per cent in two years) and a

good run with monsoons—this year's deficiency notwithstanding.

Higher income means farmers are ready and willing to invest more—and one of their critical investment needs is in getting agriculture services. So far, agri services like helping farmers improve crop techniques and advice on ways to improve farm productivity have mostly been provided by the government and for free. But the quality of service has been poor, rendering them useless. In e-Choupal's Version 2, services like weather, agri inputs and pricing were provided through Sanchalaks (e-Choupal coordinators) through multimedia presentations made on village computers, but these services were customised only for crops and regions. Besides, no money was charged for these services. Under Version 3, the plan is to deliver personalised agri services to individual farmers via mobile phones.

SHEKHAR GHOSH

Farmers are ready and willing to invest more, especially in personalised agricultural services.

ITC has recently signed a memorandum with Nokia for this. The company already powers some of Nokia's "Life Tools" meant for farmers. Right now the information dissemination is limited and one-way—from company to the farmer. ITC plans to make the information flow two-way. A farmer will be able to provide information on, say, the type of soil, the date of sowing and the kind of crop to the company. The company can then process these inputs and give him very specific advice.

Imagine getting such inputs from millions of farmers across the country. Apart from creating economic value by offering personalised services to farmers, the data thus generated could be of immense value to companies selling farm inputs (e.g. seeds, fertilisers, pesticides), financial firms and government planners. In sum, personalised agri services will add a second anchor business to e-Choupal—keeping its core philosophy of complementing the farmer's good with the company's good intact.

Opportunity: Villages closer to towns moving away from agriculture

Response: Provide job information and skill development services in villages

With rural youth, especially in villages closer to towns, shunning agriculture and farm labour, ITC sees vast opportunities in using e-Choupals as centres for information on job vacancies and—eventually—providing skills that help increase the employability of rural youth.

So, e-Choupals are also being geared as rural employment exchanges, which will connect the rural youth with jobs. This will be a new anchor business with a clear revenue model. Already, on August 11, 2009, e-Choupal in alliance with Monster India, the leading online career and recruitment resource, has launched Rozgarduniya.com, a website to enable job seekers in rural India to access and apply for jobs through e-Choupals. In less than a month of the service, over 1,200 job openings from 52 companies were made available through this channel.

ITC is also working on the skills training business, which will be rolled out over the next few months. "Rural India has a huge untapped talent pool and Rozgarduniya.com will provide a platform to bridge the demand and supply gap. Job opportunities available to the rural population through this initiative will help improve employment in addition to facilitating corporate expansion plans in the rural market," says Sanjay Modi, Managing Director, Monster.com (India, Middle East and Southeast Asia).

Opportunity: Faster diversification by farmers into horticulture

Response: Increased push to retail of fruits and vegetables

Sourcing farm produce is e-Choupal's key and original anchor business. But instead of purely trading in commodities, the sourced produce was used as inputs for ITC's food business. So, for instance, wheat procured through farmers finds its way into Aashirwad atta. With farmers around e-Choupals diversifying their produce, ITC got the opportunity to plan forward integration in more ways than one. "We moved into Choupal Fresh through forward integration with the horticulture farmers," says Sivakumar. Choupal Fresh (it is still in a pilot phase with six outlets in Hyderabad) is more "fresh" than other chains since vegetables and fruits make up 80 per cent of products sold through its outlets, compared to 20 per cent in most other "fresh" chains. The forward integration is also evident in the export of processed foods and fruits (mango and other fruit pulps).

"Many of our products and businesses have backward integration with the e-Choupals. Bingo, for instance, is made from potato sourced entirely through the e-Choupals. Similarly, the export of processed foods and fruits is dependent on the e-Choupals now," says Sivakumar.

Also, starting mid-2008 ITC has

entered personal care products in a big way. The e-Choupal network is a platform to take these products to consumers in the countryside.

These branded products will also be introduced at the Choupal Haats (these are temporary rural gatherings meant for interaction and product and service experience as against a Choupal Saagar, which is a permanent and multiple rural services facility that includes an agri produce warehouse, retail hypermarket and a fuel station), which are going to be launched over the next couple of months. Among the things planned to be introduced through the Haats are branded personal care products like shampoos.

Opportunity: Improved rural roads, courtesy Bharat Nirman project
Response: Increase the coverage area of each e-Choupal

The e-Choupals, right from Version 1, worked in a hub and spoke model. Each e-Choupal and its Sanchalak catered to several villages nearby. The average number of villages catered by an e-Choupal so far were six. With massive government investments in rural roads, connectivity between villages has improved. This allows ITC to potentially add more spokes to each of its hubs. Network reach can be easily expanded without making much fresh investments into it.

Many other Indian companies that had once entered rural markets, and had subsequently quit, are re-entering. Tata Chemicals, Mahindra & Mahindra are two such examples. How does ITC plan to respond to this competition? By making better use of its unique social capital—the Sanchalak and the Samyojak framework. In the Sanchalak, ITC has its own man in the 40,000 villages it operates in. These men can steer e-Choupal into areas and activities the competitors cannot. For instance, the Sanchalaks will be the key men in organising Choupal Haats.

Commentary by **C.K. Prahalad**

BUILDING CAPABILITY

SATISH KAUSHIK

ITC e-Choupal is an interesting case for four reasons. It demonstrates:
1) How, in India, we can connect subsistence farmers—micro producers—to regional and national markets;
2) How connectivity can be transformational and build trust between a large firm and farmers and lead to an active and evolving collaboration;
3) How to scale operations in rural India and most importantly;
4) How to build capabilities of both the firm (ITC) and the farmer community systematically; learning by doing.

I believe that ITC e-Choupal has gone through three stages of evolution. It started with a sourcing strategy through direct connect with farmers. It was one way—from the farmers to the firm. The second stage involved selling to farmers what they needed—through e-Sagars. They had to experiment to find out how much of entrepreneurial work—soaps to fertilisers—the village leaders are willing to undertake to sell without sacrificing their trusted role in the community. Now, it is embarking on the third phase where it is going beyond selling. It is laying the foundation for building unique personalised and co-created experiences for single farmers. They will be able to work with each farmer to co-create what he/she wants to improve their economic opportunity as well as experiences. In each of these stages, ITC had to build ever more sophisticated IT systems and analytics. Now they will be able to cater to a single family's unique needs. All the while, ITC also had to build ever more sophisticated logistics systems. The focus of the firm on the farmer has also undergone a big shift during the three stages. It has changed from: *micro producer* to *micro producer and consumer* to *micro producer, consumer and entrepreneur*. This transformation is an integral part of ITC's impact on rural India.

Today, ITC has the trust, domain expertise, scale, scope, IT and logistical infrastructure to move forward to build a true "engagement model" with Indian farmers—a dialogue that allows farmers to become micro innovators and investors as well. When we engage millions of farmers, we will discover that an interesting subset of them are willing to innovate—be able to offer ideas for improving the system. This is no different from application developers developing solutions for Apple. I believe that we can unleash the local knowledge-based innovations in rural India by using an interactive platform such as ITC. I see a huge opportunity for continuous innovation and organic evolution.

(The author is Paul and Ruth McCracken Distinguished University Professor, Ross School of Business, University of Michigan.)

...

Opportunity: Mandis have improved since e-Choupal initiative started
Response: Leverage the unique direct relationship with the farmers

When the e-Choupal initiative was started, the operations at mandis

were non-transparent. From weighing of farmers' produce to its gradation—that impacted it pricing—most operations were arbitrary and based on archaic methods. Over the past couple of years, the mandis have modernised and become more transparent. Where does this leave e-Choupal, which reached out to the farmers on the plank of transparency and fair valuations for their crops?

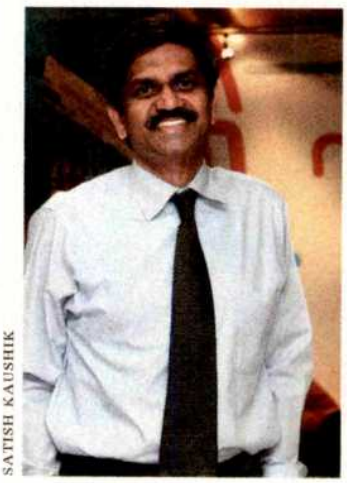
A unique advantage ITC still has over mandis is its direct and continual relationship with the farmers in its network. With rising awareness and concerns about food safety, this direct relationship is extremely valuable for partners who either source products directly from the e-Choupals or use ITC's farm products generated through the e-Choupals. For instance, an importer of processed foods in Europe can trace ITC food products all the way to the farm it came from to satisfy itself of the food safety standards.

By making these and a few other mid-course corrections, ITC is hoping to morph e-Choupal into an all-weather venture—relatively de-risked from regulatory flip-flops and even market swings. But the success of this restructuring will critically depend on how much further it can deepen its existing relationship with four million farmers so that it can extract more value out of this network than it has been able to do till now—value for itself, for the farmer and all the current and future network partners.

Sivakumar has interesting calculations to share. By personalising its relationship under e-Choupal's Version 3, ITC can increase its reach from the existing 4 million farmers to 16 million—without even adding any village to its network. How? Once personalised, each farmer's family (assuming a wife and two kids) will come into the e-Choupal network as either a consumer or a contributor of some sort. That will give an additional reach of 12 million! Of course, all these will not happen in one go and overnight. Some of the modifications mentioned—like setting up of rural employment exchanges—have already been implemented. Some are going to be added soon. The first Choupal Haat will be organised in November. The two-way mobile application and its full operationalisation will take some more time. But given the blueprint and flexibility demonstrated so far, ITC should be able to achieve much of what it plans to. And in doing so, the company will continue to be a leading and unique example of Corporate India's engagement with rural India. ⊙

Commentary by **D. Shivakumar**

THE MOBILE PHONE IS A RURAL LIBERATOR



SATISH KAUSHIK

The biggest problem the farmer faces today is that he does not have cheap and easy access to information. The information instead lies with the middleman and therefore the producer, that is, the farmer cannot get the best prices or the knowledge required to increase his yield.

To access that information, the farmer would need to spend Rs 30-40 a day travelling a few hours to mandis (agricultural marts), and even then he may not get all the information he needs. This is what economists often describe as the "poverty penalty".

What we do in Nokia Life Tools, for example, which is working with partners such as ITC e-Choupal, is that we have created a back-end to generate a vast amount of reliable information to the farmer. The farmer is willing to pay for this information because it improves his price realisation as well as gives him knowledge.

But the mobile phone is a lot more than just a liberator of information in rural India. Being the primary, sometimes only digital device in the homes of rural India it is also an entertainment device, and given the vast amounts of rural to urban migration, it is increasingly being used as a safety and security device for rural women to keep in touch with their husbands, brothers and sons.

And it is also a learning tool. There are 180-190 million rural youth today and many of them do not want to be farmers. They see the mobile phone as a learning device that gives them knowledge, teaches them new things, even functional English. They see the mobile phone as their passport to the formal economy.

All in all, through its ability to do multiple things, the mobile phone has economically liberated rural India and with more information services and applications coming on-stream over the coming months it will continue to do so.

(The author is the Managing Director of Nokia India; the company is ITC's partner in the new version of e-Choupal)

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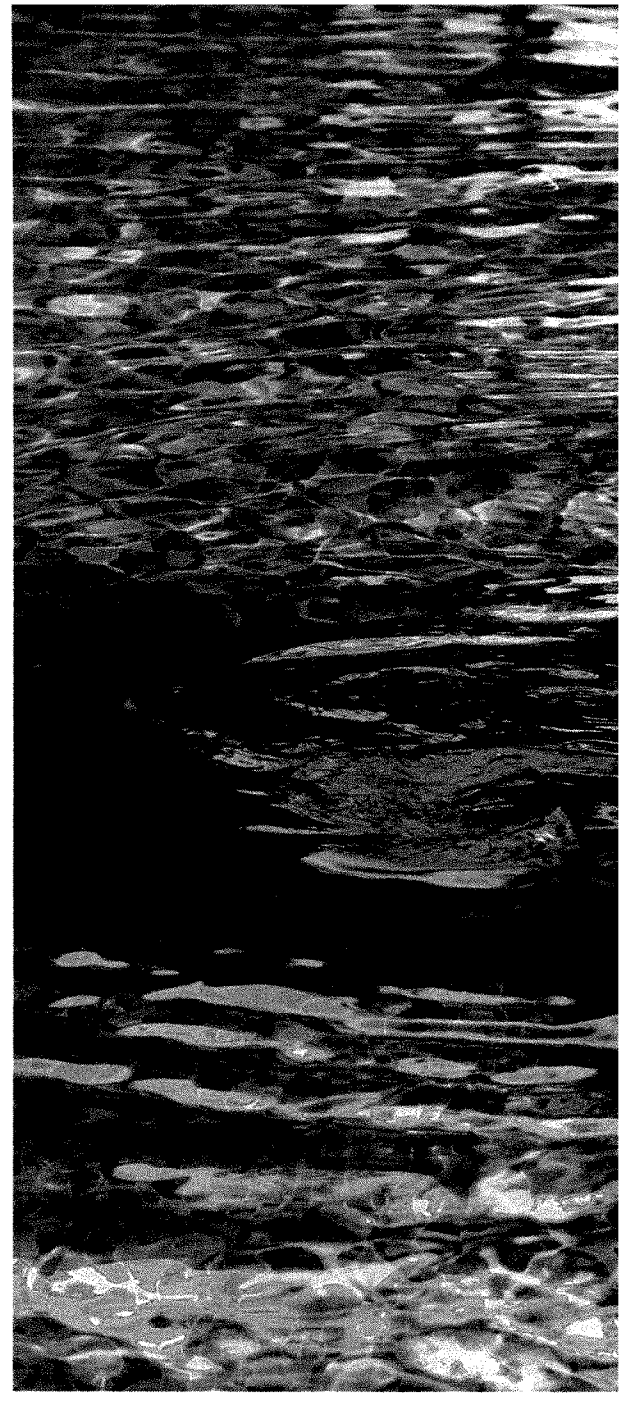


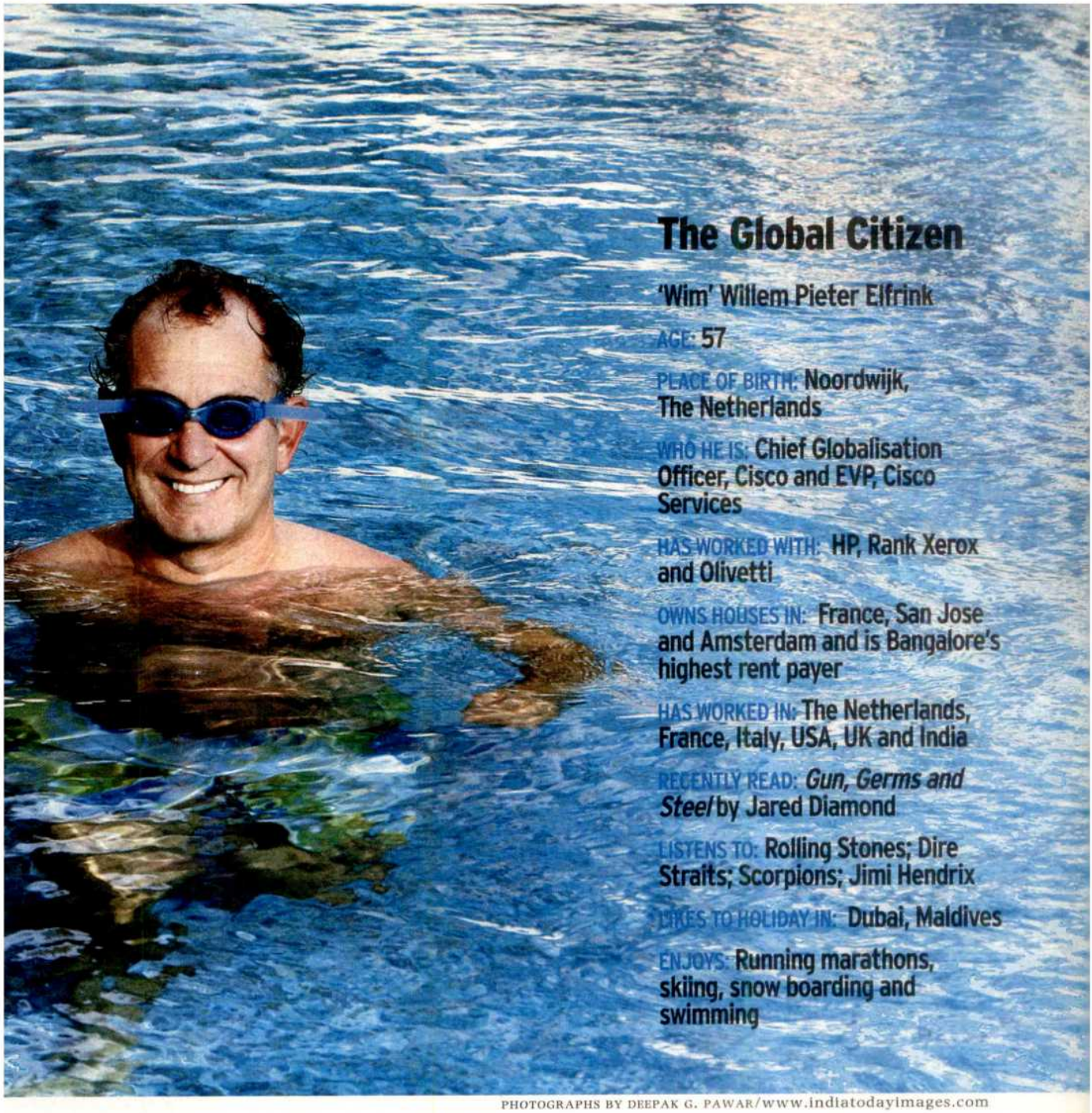
THE TRA

Wim Elfrink wants to radically transform Cisco's business

Over the last three decades, 'Wim' Willem Pieter Elfrink has been through a series of inflection points. As a young executive, he started his career with Olivetti, just as the firm was making its transformation from electromechanical to electrical equipment. His second career move saw him work with Xerox, at a time when the company was growing beyond its core photocopier business. His third move was to join Hewlett Packard (HP), then a $10-billion test and measurement firm timidly testing the personal computer market. The biggest turning point of his career, however, was his move to India's IT capital Bangalore to lead a radical transformation of Internet gear giant Cisco's business.

The shift, back in 2006, saw the 57-year-old Elfrink designated uniquely as Cisco's Chief Globalisation Officer and overseeing its Indian as well as global services operations from the firm's million-square-feet campus in Bangalore, named the Globalisation Centre East. He was handpicked by Cisco's CEO John Chambers to lead the firm's makeover that entailed setting up a second global headquarters in Bangalore and building solutions for both emerging markets and economies close to India's IT capital, including West Asia and Africa. The upshot: Cisco recently reached the landmark of earning $1 billion in revenue in India and before the downturn hit it was growing at 20 per cent annually. Today, India ranks among Cisco's top 3 growth markets. At the same time, Cisco Services, which Elfrink has been heading since 2000, has grown to be a $6-billion business from $5 billion in December 2006.

By locating a globalisation centre in Bangalore, Cisco wanted to have access to 70 per cent of the world's population within a five-hour flight distance of Bangalore. Being 12 hours ahead of California, the company could also



The Global Citizen

'Wim' Willem Pieter Elfrink

AGE: 57

PLACE OF BIRTH: Noordwijk, The Netherlands

WHO HE IS: Chief Globalisation Officer, Cisco and EVP, Cisco Services

HAS WORKED WITH: HP, Rank Xerox and Olivetti

OWNS HOUSES IN: France, San Jose and Amsterdam and is Bangalore's highest rent payer

HAS WORKED IN: The Netherlands, France, Italy, USA, UK and India

RECENTLY READ: *Gun, Germs and Steel* by Jared Diamond

LISTENS TO: Rolling Stones; Dire Straits; Scorpions; Jimi Hendrix

LIKES TO HOLIDAY IN: Dubai, Maldives

ENJOYS: Running marathons, skiing, snow boarding and swimming

PHOTOGRAPHS BY DEEPAK G. PAWAR/www.indiatodayimages.com

SFORMER

and thinks India can lead the way in this makeover. RAHUL SACHITANAND

Team player: Elfrink (front) with his team at Cisco's Globalisation Centre

follow a 24/7 business model. As a result, Elfrink spends up to 60 per cent of his time travelling between the US and India and much of his other time on Cisco's high-end TelePresence video conferencing system, talking to teams as far away as San Francisco and Seoul. The company plans to eventually have 20 per cent of its top talent in India, and as part of its new globalisation programme some 60 families of expatriates have moved to Bangalore. Rather than be a company with a single headquarters, Cisco is leading the way in splitting its business and, according to reports, eventually plans to have 4-6 globalisation centres based on the model it pioneered in Bangalore.

"I have made an art of inflection points," Elfrink says when we meet him in Bangalore. "I moved 2,000 km from my home in The Netherlands for my first job in Italy, where I learnt a new language and ate new food." Over the last few decades, he has graduated from being a young techie writing machine code to building teams and businesses with HP. It wasn't smooth sailing all the way, though; Elfrink joined and left the Dutch consumer electronics giant Philips within months after a clash of cultures. His son, now 22, is severely autistic, and so the Elfrinks have invested in an intensive care facility to take care of him. "This gave us some time for pause... for five years I took it relatively easy setting up a foundation (run by his wife) to help similar kids," he says.

He joined Cisco in 1997 as Vice President of Customer Advocacy in Europe, where he tried to evangelise a radical new concept, which focussed on creating customised service offerings for clients, rather than adopt a one-size-fits-all model of business. In 2000, he was given global charge of the services business and moved to the firm's HQ in San Jose, California. Along the way, he rode Cisco's rise from being an Internet plumber into a global communications giant. It is this journey and its evolution that finally bought Elfrink to India.

His business plan for Cisco is based on the premise that the developing world accounts for more than half the world's GDP and will be home to over seven billion people by 2050. To target new markets, Cisco plans to sell not only its conventional equipment, but also devise new products and solutions. On October 6 this year, Cisco unveiled another part of its plan, when it announced an alliance with Sunil Mittal's Bharti for developing co-branded solutions specifically for Indian enterprises. Elfrink and Mittal also connect regularly about larger industry issues such as broadband penetration and sustainable development.

Man with the Plan

Elfrink wants to transform Cisco's business model.

- **Established Cisco's second headquarters in Bangalore in 2006.**
- **Has headquartered global business units out of Bangalore as part of this move.**
- **Moved a team of 70 senior pros with him when he shifted with his family to Bangalore.**
- **Sleeps barely five hours a day as he manages globally-distributed businesses.**
- **Known to have calls and video conferences with overseas teams extending up to 4 a.m.**
- **Cisco's globalisation plan seeks to follow changing global demographics and target the long-term potential in emerging markets.**

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Mahindra & Mahindra is another key customer for Cisco in India and the company outsources software development work to both Tech Mahindra and Mahindra Satyam. Elfrink and Anand Mahindra, Vice Chairman, M&M frequently link up to discuss the growing heft of India and the developing market and ways for the companies to collaborate

All this work, however, doesn't mean he has no spare time. Straight after his interview with us, Elfrink heads home to his sprawling mansion in Epsilon (he reportedly pays the highest house-rent in Bangalore, coughing up Rs 19 lakh per month), a swish gated community near Bangalore's HAL Airport. At 3 p.m., it's time for his daily hour-long yoga session followed by time spent with his two young sons, competing with them in the family swimming pool. And while most of us finish work as the sun sets, for Elfrink, it's just a short break. He can often be found at home video conferencing as late as 4 a.m. "I don't commute to compute," Elfrink explains. "I don't believe in five-day weeks nor do I sleep a lot. I can get by with less than five hours."

Cisco has entered an alliance with Bharti Airtel to develop co-branded solutions for Indian enterprises.

Bharti's Sunil Mittal (L), and M&M's Anand Mahindra

The networking giant outsources software development work to both Tech Mahindra and Mahindra Satyam.

Perhaps this burning desire to work hard and yet enjoy life to the hilt can be traced back to his early years —the swinging '60s. Elfrink was in his twenties when Woodstock happened and Hendrix was the flavour of the day. "It was the 1960s, the start of a new era. It was all about the democratisation of universities and I was fascinated by everything happening around me," he says. For Dutch youth, this was also a time for rebuilding, especially for Elfrink, whose father was a prisoner of war in a German camp. "I wasn't very interested in academics, but was fascinated by music, especially designing and building amplifiers," says the self-confessed Rolling Stones and Dire Straits fan. It was this fascination to enter new territory and design new products that led him to experiment in life. While his love for amps was the catalyst for his entry into the world of technology, it is his globetrotting ways and exposure to different cultures and peoples that he's now leveraging in Bangalore.

India, he says, has taught him to adapt and innovate in life. So, while in his younger days he was a skiing enthusiast and a marathon runner (he has run 42 marathons till date) at 57 he realises his protesting knees need a different sport. Elfrink has found the perfect alternative in India: a personal yoga instructor teaches him every day.

Yoga, of course, is not the only thing he has learnt while in India. It has also taught him some new management skills. "The biggest customers for my services business are in North America and Europe and I need to trust my team to deal with them when I am in Bangalore. So, we have moved from a centralised decision making process of command and control to one of teamwork and collaboration," he says.

So, what's next? In Bangalore, Elfrink says he gets plenty of time to think of new business opportunities for Cisco in India and across the world. "Look at the traffic on the road," he says, pointing to the city's chaotic Ring Road. "The solution to this is not building more roads, but smart commuting."

Despite his ambitious plans, he's well aware that only a small fraction of the working population globally thinks like him. "Maybe 5 per cent of them are adventurous and will consider such a move," Elfrink says. "We like India because the schools here allow our children to remain kids for longer. There is no hurry to grow up." He hasn't mastered an Indian language yet, but speaks Dutch, French and Italian, besides English. He also took classes in Mandarin with his sons. His sons, too, have become trilingual.

While Elfrink is committed to stay in India for one more year at least, he doesn't think it will be enough to complete the transformation of Cisco. "After two years, we have created some awareness within Cisco about globalisation. This is now the most fragile phase of our rollout, where we need to expand aggressively," he says. Already, operating committees, which oversee businesses, are being quizzed on specific globalisation plans and more executives are keen to join Elfrink in India. "Two years ago, we had no idea the downturn would hit us so severely. Today, I have no idea about what will happen in a year. You must be prepared to react and have a business model that will evolve," he signs off. ⊙

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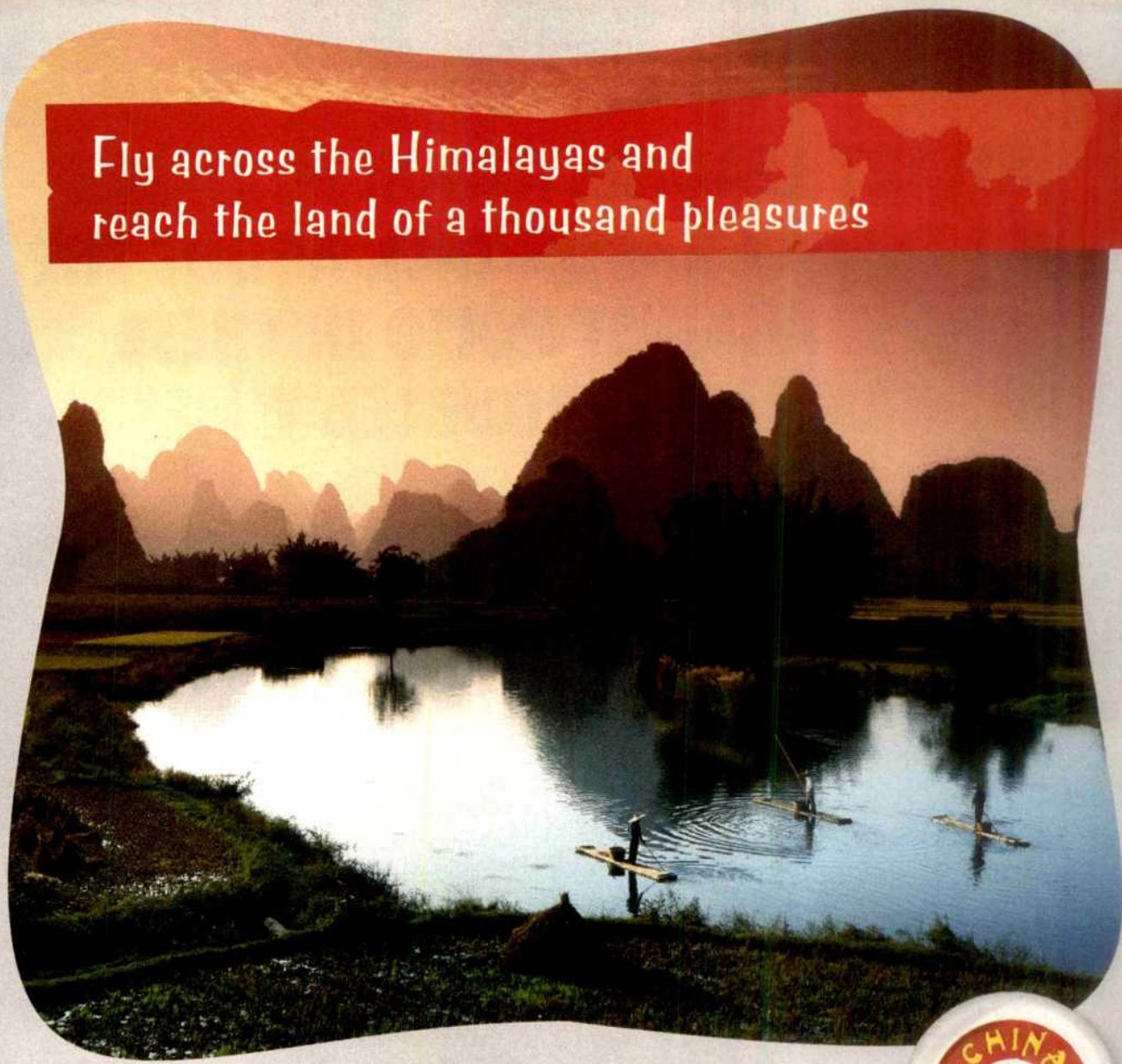

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Travel with the sea breeze from Sanya into the hinterland. Discover sights beyond the Great Wall. Fly through bygone centuries. Take in operas. Visit the zoo. Go skiing. Frolic in the Ice Festival. Play golf or tennis.

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The time to visit China is now. For details on where you can recharge your batteries, consult CNTO or your travel agent or visit www.cnto.org.in for more details.

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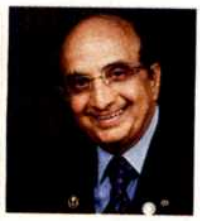
ROTARY LEADERS ASHOK MAHAJAN AND DEEPAK KAPUR TALK ABOUT THE FIGHT AGAINST POLIO IN THESE FINANCIALLY TROUBLED TIMES



Ashok M Mahajan
Trustee TRF, Member - IPPC
Past Rotary International Director

1. Since your larger interest is eradication of Polio from India what efforts are being taken to achieve it?

- To ensure political will and bureaucratic vigilance at all times and at all levels, Rotarians have been instrumental in enlisting the support of politicians and bureaucrats.
- Rotary's Muslim Ulema Committee in U.P has been an important step forward to engage the minority community in the campaign and allay fears and misconceptions of any kind.
- To make it a people's movement, Rotary have also engaged their members in social mobilization and extensive communication on Polio in the country.

2. How do you deal with immunizing such a huge population?

- We have a strong partnership led by the GOI that implement this massive programme.
- Rotarians are involved in the Advocacy, Financial Support and Social Mobilisation aspects of the campaign and at times take care of operation glitches.
- WHO takes care of the technical aspects and UNICEF the communications.
- The Govt. of India undertakes the vaccine supply, logistics and provides human resources for running the campaign. During every NID /SNID Indian Rotarians can be seen volunteering by manning Polio booths.
- In certain hard to reach areas, Rotary has adopted Polio booths for immunizing children.

3. How much funds have been invested to eradicate this disease by Rotary and GOI?

- Funding is extremely important for any initiative. For a mass programme like Polio eradication money is vital. Rotary has invested nearly US$ 832 million worldwide (Rs.4160 crores) and in India alone US$ 108 million (Rs. 540 crores). GOI as per the health budget spends a considerable amount of funds for eradication of Polio.
- Apart from the financial strain, running such a big campaign with such a mammoth operational task is both difficult and stressing but the Government of India (GOI) and the State Governments continue to do without fail.
- No other endemic country has shown the promise like India in containing and eradicating the Polio virus. The amount of man-power and resources put in the Polio campaign by the GOI is unparallel.
- For instance, during a National Immunisation Day (NID), approximately 172 million (17.2 crores) children are immunized and almost 209 million (20.9 crores) homes visited during house-to-house activity.

4. Rotary International is the leading Partner in this Polio eradication drive worldwide, what next from this service organization?

- It must be mentioned here that the Polio programme has helped improve the over all health systems and infrastructure in our country.
- Today, for us, ensuring that Polio is eradicated is at the top most priority of Rotary. Further ensuring the zero incidence of Polio once it is eradicated for 3 years (WHO certification for eradication) is important to remain forever free from Polio.
- India has massive public health opportunities and health challenges crying out for attention and much of them are being addressed at local level by our Rotary Clubs but as a corporate programme Rotary is concentrating on eradicating Polio first.

5. The Gates Foundation grant of US $ 355 million towards Polio eradication is the biggest grant ever to Rotary. How much funds needed (estimation) and what other funding sources exist?

- We partnered with the Gates Foundation in late 2007 to strengthen our Polio eradication efforts in the four endemic countries. India, Nigeria, Afghanistan and Pakistan. The Foundation gave US $ 355 million (Rs. 1775 crores) grant to Rotary International. Rotary accepted this as a challenge grant and committed to raise US $ 200 million (1000 crores) by 2012 against the grant.
- Rotarians are raising funds through their clubs and community fund raising exercises as well as through individual contributions.
- Corporate Houses are investing a lot in CSR (corporate social responsibility) and coming forth with contribution towards Polio eradication. Presently, the Aditya Birla group has pledged a sum of $ 3.5 million for eradicating Polio. Dominos Pizza India Ltd has offered its volunteer support for the programme.
- Despite such efforts the funds required worldwide to implement the ongoing activities and the recommended eradication strategies for '2009 2010' by Polio experts run short of US$ 345 million.

Deepak Kapur
Chairman
Rotary International's INPPC

1. Rotary International is involved in an array of services both humanitarian and otherwise but when and how did Rotary International take up such a big mission of eradicating Polio from the world?

- Back when Polio was sweeping populations in the west with epidemics, Rotary International launched a campaign to raise US $120 million to fight polio where Rotary exceeding all expectations raises US $ 247 million. This provides the necessary impetus to begin the polio eradication initiative after Dr. Albert Sabin the innovator for the OPV vaccine approaches Rotary to take this mission and globally eradicate Polio. Thereafter in the World Health Assembly in 1988 a resolution to eradicate polio is passed with WHO, UNICEF, Rotary International and CDC as the spearheading Partners.

- When the Global Polio Eradication Initiative was launched, wild poliovirus was endemic in more than 125 countries on five continents, paralyzing more than 1000 children every day today Polio is endemic to just four countries - India, Pakistan, Afghanistan and Nigeria.

2. Is Government of India as committed to eradicating Polio?

- The Indian Government spends a large chunk of its health budget on Polio eradication and leads the campaign in India. The leadership of the GOI in eradicating Polio is by far the best by any Government in the remaining endemic nations and has been duly recognized by the Global Polio Eradication partnership.

3. The efficacy of the Oral Polio vaccine has been challenged by environmental and demographic factors in the regions where Polio persists in India, elaborate?

- The regions in India where Polio virus is still prevalent are places with high population density and a confluence of several complicating factors such as Diarrhea, unsafe drinking water and insanitary living conditions that make this part - U.P, Bihar and bordering States - the toughest battleground for Polio eradication and the most conducive environment for the virus to survive and spread transmission.

4. To address issue of diarrhea how do you intend to support the GOI in the implementation of Zinc and ORS?

- Let me inform you in the beginning, Diarrhea kills as many as 500,000 children in India and around 16 lakh around the world in a year.

- The use of Zinc along with Oral Rehydration Therapy (ORT) is recommended by the World Health Organization (WHO) to decrease the incidence and severity of diarrhea. The Government has adopted a Policy to use Zinc and ORT in treatment of diarrhea under the National Rural Health Mission.

- To address rapid and rampant incidences of Diarrhea that adversely affect our efforts to eradicate Polio in the country, Rotary India National PolioPlus Committee plans to voluntarily support the GOI in implementing the usage of Zinc tablets and ORS as a remedy for Diarrhea especially in managing communication through IEC (information, education and communication) materials for creating awareness and demand.

5. 'Slumdog Millionaire' brought focus on India's culture and not to mention its population reeling under poverty. Do you believe Polio today is just a disease of the poor and less privileged?

- Slumdog Millionaire throws light on the other side of 'India Shining' which is how more than 60% of the population is living.

- Polio today predominantly remains a disease of the underprivileged for reasons mentioned earlier including unhygienic environment, low Routine Immunisation levels etc whereas the affluent have access to immunization and their children are healthy and better equipped to counter diseases.

- However, Polio by nature is a disease that can affect any child vulnerable, anywhere at that point of time therefore Polio anywhere is threat to a child everywhere.

6. Millions have been invested in the programme. Is it true that with continuous shifting of the target after each year, countries such as India might face funding gap?

- This is true of all programmes. With increasing timeline, it is natural to develop fatigue at the financial as well at the operational levels. But the Polio campaign has made remarkable progress, reducing polio cases from 500 a day to just 1 a day. So far more than 40 lakh children have been saved since the PolioPlus programme was launched in 1995 in the country.

- The polio eradication campaign is the largest non- military, global enterprise ever. It involves dozens of organizations, scores of governments, thousands of health workers and millions of volunteers.

- Polio campaigner and donors know what they are set to achieve is historic and despite few setbacks they have always shown confidence and the spirit to march till the end. The Govt. of India itself is so committed so is Rotary International who has made Polio eradication a priority mission till the end.

7. How is Rotary planning to capitalize on this financial support for eradicating Polio? Which are the agencies worldwide that have received grants from Rotary International towards eradication of Polio?

- The funds gathered so far by Rotary are being extensively used for monitoring and surveillance, manpower, social mobilization/awareness, technical expertise and vaccines.

- Rotary provides grants/funds to Federal Govts., WHO and UNICEF from the Polio eradication fund.

Bill Gates speaks at a Rotary International event in U.S

At a time when the economy was hit by a global slowdown, there are some who have clambered up on top of the game: As the country's best marketers. What challenges did they have to overcome? And what was the outcome of their strategies? SHAMNI PANDE

INDIA'S BEST MARKETERS

KULDEEP

Connect real good. Or, the consumer disconnects. Never was this maxim truer than over the past year as India and the rest of the world went into a recession. The Congress party's connect plan, Rahul Gandhi, clicked and won over the masses. Gritty telly-queen Rakhi Sawant made no bones about what she is and what she wants. She won audiences for the channel NDTV Imagine and stardom for herself.

"The challenge for marketers was from all fronts this year: Demographic, economic changes, competitive pressure"

ARVIND SINGHAL
Chairman, Technopak Advisors

Most companies who managed to feel the pulse of "real India, and Indians", survived. Every marketer understood that the consumer was seeking value and looking at the fundamentals more than the emotionals: "This was not a year when branding strategy could have pushed products on esoteric promise. Hence, toothpaste with oxygen, or television that refreshed the eye would not have found takers," says Harish Bijoor, Brand Strategy Specialist & CEO of Harish Bijoor Consults.

"You want to separate the men from the boys in marketing? The best time to do that is in a recession"

Y.L.R. MOORTHI
Professor, IIM-Bangalore

Tough times have stressed the return to the basics—the four Ps of marketing: product, price, positioning and placement (or distribution). These, of course, refer to the products. However, the rise of service orientation has made marketers look at three more Ps that form the lynchpin of marketing strategy: process, people and physical evidence.

This year, we seek to bring up names of marketers who did well, in especially difficult economic times, and have showed the value of getting real. As is the tradition, *Business Today* brought together an eminent set of panellists to shortlist "India's Best Marketers". Our panel this year had Y.L.R. Moorthi, Marketing Professor, IIM-Bangalore; Jagmohan S. Raju, Joseph J. Aresty, Professor Chair, Marketing Department, The Wharton School, University of Pennsylvania; Nabankur Gupta, Brand Specialist & Management Consultant; Harish Bijoor, and Arvind Singhal, Chairman, Technopak Advisors. The tricky thing about choosing the best nine from a list of marketers is "not all companies that make money make noise and vice-versa," says Moorthi.

"The 'P' standing for 'placement' in marketing played a crucial role in the growth strategy of companies"

NABANKUR GUPTA
Brand Specialist & Management Consultant

Companies that pushed the envelope and addressed different markets did well. "There has been growth in the Tier II, III & IV markets. Rural markets grew, while the metros stagnated. Hence, the 'P' standing for 'placement' in marketing played a very crucial role in the growth strategy of companies," says Gupta. Product was the hero for Samsung Electronics, which has worked to offer breakthrough technology at a price that makes sense to consumers. It offered Indians products at the same time that it offered them to the global users. Aircel decided to grow in these bad times but managed to cut through the clutter with its branding and value-loaded offering. Even public sector majors like BEML and LIC did not lag.

"This was not a year when branding strategy could have pushed products on esoteric promise"

HARISH BIJOOR
CEO, Harish Bijoor Consults

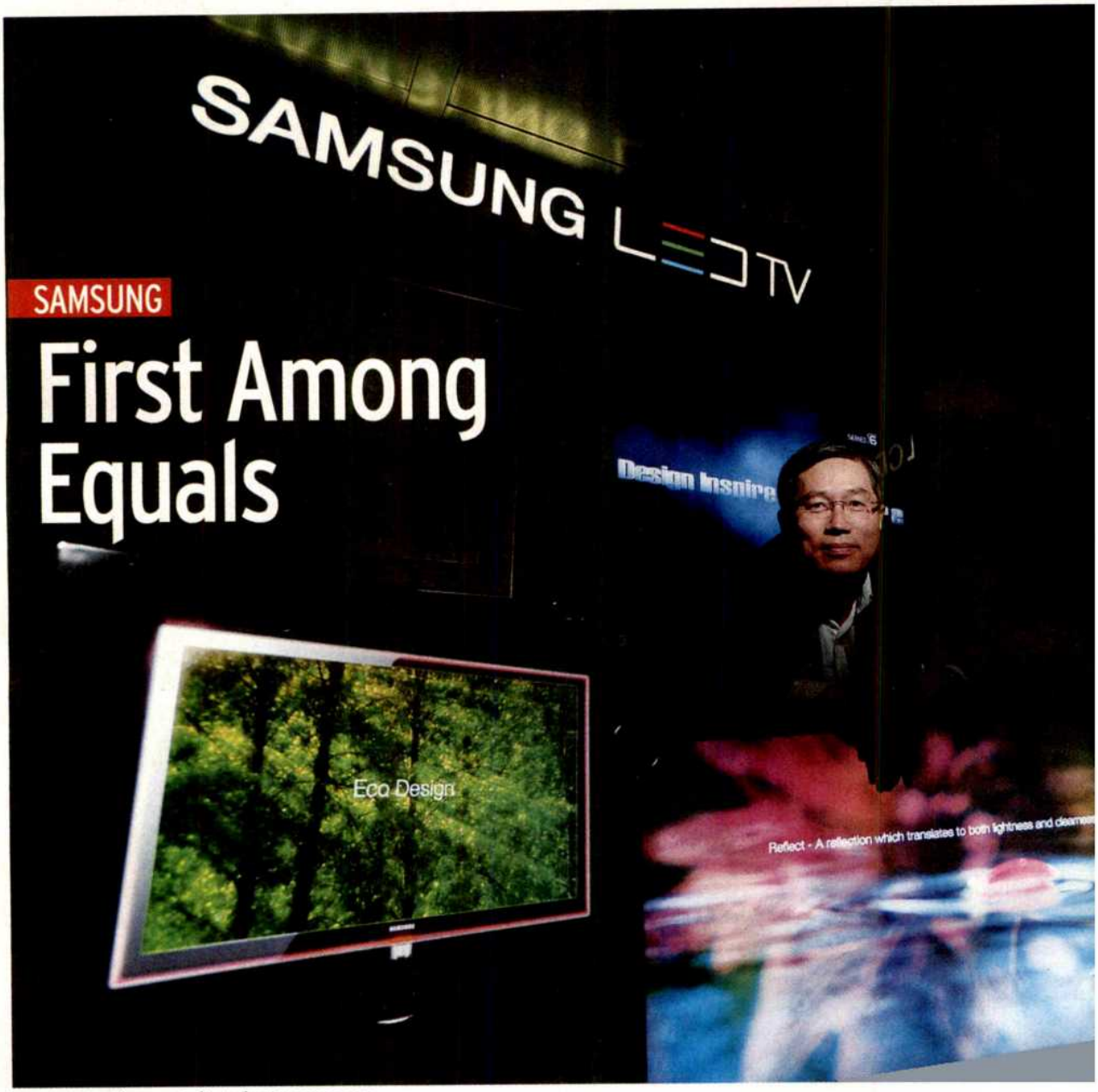
In fact, brand is tipped to play a far bigger and more strategic role for companies once the International Financial Reporting Standards (IFRS) come into play in India. "Starting April 2011, valuations of brands will have a significant role in company valuations," says Gupta.

Companies will now have to report the growth in brand valuations and this places the onus of brand building squarely on the top brass.

The writing on the wall is clear. "You really want to separate the men from the boys in marketing? The best time to do that is in a recession," says Moorthi.

SAMSUNG

First Among Equals



VIVAN MEHRA/www.indiatodayimages.com

Don't be fooled by his calm exterior: inside, B.D. Park, Director-Telecom, Samsung India Electronics, could be preparing to unleash the next tornado of cutting-edge products in India in step with their global launch. So far this year, Samsung has launched 35 models of mobile phones in India, with the touch-screen Star becoming the No. 1 selling model within three months of its May 2009 debut.

At last count, Samsung had launched 225 products this calendar against a total of 200 last year.

In many ways, Samsung has changed the market paradigm at the higher end of the consumer electronics and appliances market even as rivals were fighting the price battle.

Although a global leader in consumer electronics, Samsung was initially seen trailing LG Electronics in India by overall sales. "But it is closing that gap effectively with technology breakthroughs and products customised for Indian needs," says Anoop Kumar, a past president of the CEAMA who heads C-NET Communication India.

"Samsung was the first to launch LED TV globally and it also keeps in mind the requirements of Indian consumers...They have an exclusive 32-inch (LED TV) for Rs 69,000 for this market as many people here do not have very large rooms but still want the best," says Sachin Mehta, a multi-brand dealer.

CHALLENGE: Beat pricing trap and to get noticed for specific achievements.

PIT FOCUSSED ON: PRODUCT. Launch product with breakthrough technology

OUTCOME: Only player with LED TVs, No. 1 in touch phones.

Samsung's Shin: Unleashing a torrent of product launches

"Our target has been to lead in the product innovation space and we also try to be relevant to consumers with what they need here," says J.S. Shin, President & CEO, Samsung South-West Asia HQ.

Samsung is already No. 1 in most categories and is not going to be content with the No. 2 slots elsewhere. As Aamir Khan puts it in the Samsung advertisements: "Next is what?"

SHAMNI PANDE

AIRCEL

Rapid Rollout

MONEY SHARMA

Aircel's Singh: Banking on VAS

CHALLENGE: To make up for 11 lost years.

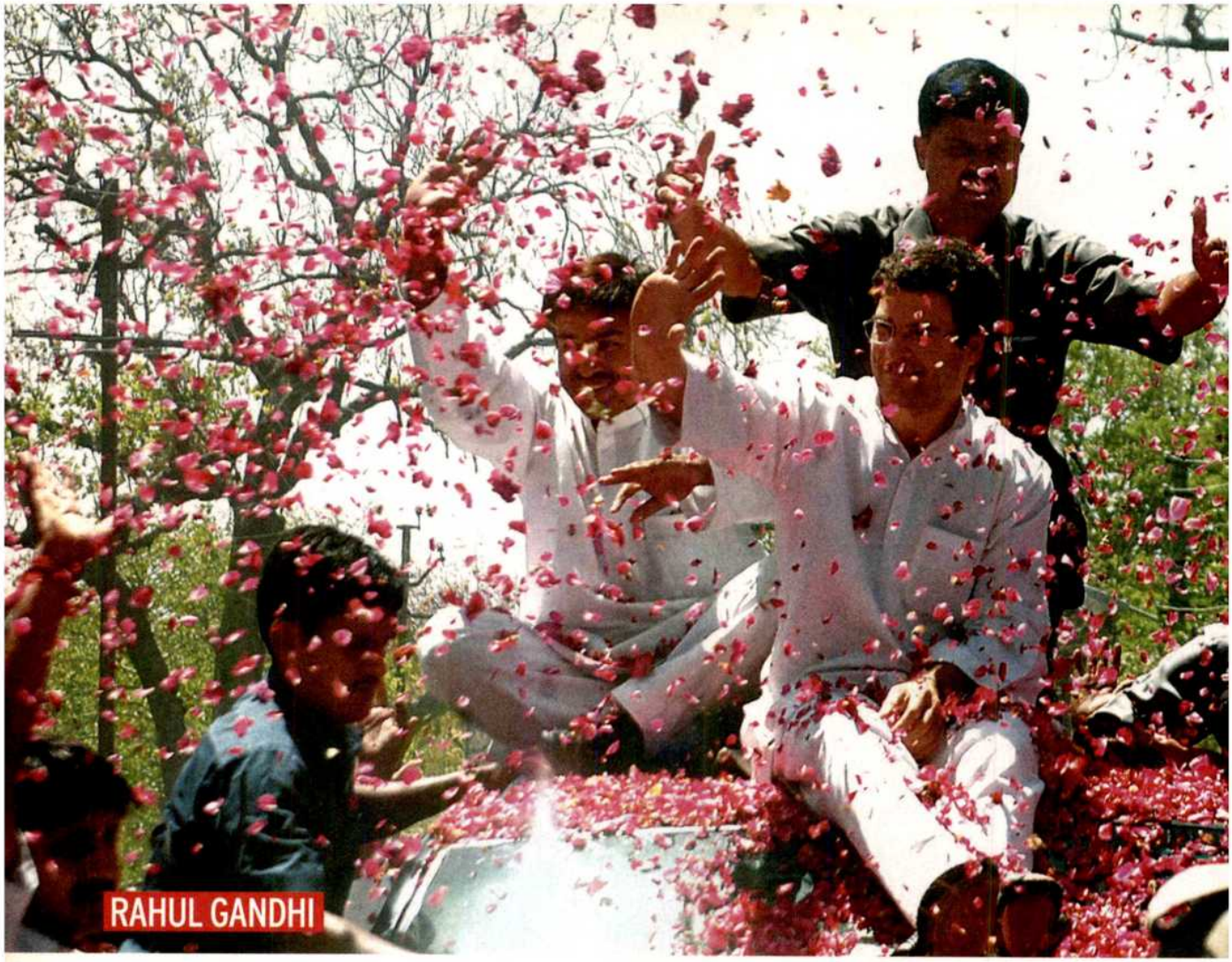
PIT FOCUSSED ON: POSITIONING. Promote non-voice uses.

OUTCOME: Monthly subscriber additions have doubled.

What does a regional mobile-telephony player 11 years behind the pack do to go pan-India? Till 2006, Aircel was operating in just two circles and had around 2.2 million subscribers. When Malaysian telecom major Maxis Communication acquired Aircel in December 2005 and decided to expand across India, it chose to highlight value-added services (VAS). "We were 11 years late in most circles and...we had to be the first mover in marketing," recalls Gurdeep Singh, Chief Operating Officer, Aircel Ltd.

So, Aircel's ads focussed on what people can do with a mobile phone—pay bills, book tickets, network with friends. Then, it launched the Pocket Internet—buy a card for Rs 99 and enjoy unlimited Internet browsing for a month without any download-based charges—and myAircel, giving access to social networking sites like Facebook. Monthly subscriber additions have doubled from 600,000 six months ago to 1.4 million today.

N. MADHAVAN



MANISH AGNIHOTRI

The Party's Trump Card

Ok, so it is a bit of a stretch to extend the cola-and-detergent variety of marketing to the colourful world of politics. Admitted, politicians do not sell themselves to voters like companies vending fairness creams and potato wafers. Even so, political parties and contestants, consciously or subconsciously, make what can be called a sales pitch which voters accept or reject.

So it was for the Congress party in General Elections 2009. The heritage party hurled at voters its pet issues ranging from good governance and stability to secularism and lined up its star personalities—Prime Minister Manmohan Singh as Mr Clean and Party President Sonia Gandhi as The Leader, but it is Rahul Gandhi who was refreshingly new and unique to the Congress's "marketing strategy".

In the run up to the elections RG—as he's called—did not seem as cutting edge, but the result finally proved that he has added a whole new exclusive constituency, the youth, to the Congress' voter base. In the 38-year-old, the Congress already had a political scion gifted with a glorious smile, winning charm and recognisable second name. In him, the grand old party has now also found youth—an unmatched edge.

Women troop in droves to his campaign meetings. His winning strategy doesn't rely on genealogy or nature's bounty alone for connecting with young Indians. He asks them to reclaim their space in politics.

CHALLENGE: Reach out to new voters and vote bases.

P IN FOCUS: POSITIONING. Field Rahul. Show freshness, sincerity.

OUTCOME: Exclusive constituency added—youth.

Eschewing promises and blame games, he holds out freshness, sincerity and positivity, all of which command a huge premium in the "market" for votes. The Congress isn't at any point short of fresh young faces, but RG has found connect with his audiences. This transition from Rahul Baba to Rahul Bhaiya has become the clincher.

PUJA MEHRA

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Admission Procedure

- **MDI uses CAT for short listing candidates for all the above programmes.**
- Candidate has to appear for the Common Admission Test (CAT) to be conducted by the IIMs from 28 November to 7 December 2009.
- Foreign/NRI/PIO applicants can apply by submitting valid GMAT scores (taken not later than October 2009). NRI applicants residing in India during July-December 2009 will have to appear in CAT. GOI Rules will be followed related to admission of these categories of candidates.
- Final selection process will consider performance in the CAT / GMAT and subsequent Group Discussion and Personal Interview.
- Candidate must apply separately for NMP (EPGPM).
- IIMs have no role either in the selection process or in the conduct of the programme.

MDI Information Brochure and Application Form

The Information Brochure and Application Form are available on cash payment of Rs. 1600/- from 24 Sept. 2009 to 19 November 2009 at:

- Admission Office, MDI, Gurgaon.
- MDI Counter, Reception Lobby, IFCI Tower, 61, Nehru Place, New Delhi-110019. Tel. No. +91 11 26438471, 26434674.
- Select branches of Bank of Baroda. For further information, please visit **www.mdi.ac.in**

Applicants wanting to obtain Application Form by post will have to send a Demand Draft of Rs. 1,750/- in favour of "Management Development Institute" payable at Gurgaon / New Delhi. Foreign/ NRI/PIO applicant can obtain the Information Brochure and Application Form by sending a Demand Draft of either US $100/- or Rs. 4,550/- or on cash payment of Rs. 4,500/- at MDI counters.

Applicants who want to apply online (**www.mdi.ac.in**) should send the Demand Draft of Rs. 1750/- in favour of "Management Development Institute" payable at Gurgaon / New Delhi after submitting the application online.

Applicant should also send 2 stickers with his/her address and telephone numbers written thereon along with the Demand Draft.

Important Dates:

Issue of Information Brochure and Application Form starts:
24 September 2009

Issue of Information Brochure and Application Form ends:
19 November 2009 (upto 5.00 PM)

Last Date for submission of completed Application Form:
20 November 2009 (upto 5.00 PM)

Last Date for submission of completed Application Form online:
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VIRGIN MOBILE

Whacky Communication

CHALLENGE: Grab the largest user category, the youth.

PIT FOCUSSED ON: PROMOTION. Naughty but lovable ads.

OUTCOME: Has 92 per cent brand awareness in a year.

Virgin's Narsimhan: Gunning for the urban youth market

VIVAN MEHRA

Quirky and cheeky are terms that describe the TV commercial where a teenaged girl tricks her parents into letting her go to Goa with her boyfriend. First, she announces to her stunned parents that she is not interested in boys. Then, the girl takes a call from a guy and tells him she is not interested in going to Goa with him. Parents, terrified at the prospect of a gay daughter, push her into the Goa trip. Daughter: mission accomplished.

This is just one of a series of Virgin Mobile India commercials that went on air in April 2008, when the service provider entered the market. The industry had several players, but not one of them aimed solely for the youth.

"We discovered that the youth made up 55 per cent of the user market," says Prasad Narsimhan, Chief Marketing Officer, Virgin Mobile India. "That's why our commercials narrate real 'harami but lovable' stories."

A survey showed that youth made twice as many calls, spoke for twice as much time on the phone and sent 2.5 times the number of SMSes as the rest of the (urban) mobile users. So, Virgin offered subscribers the option of "getting paid to make calls" lowered STD call rates and gave free and unlimited music downloads, among others.

Its approach continues to keep the brand associated with the youth of urban India and product innovation: it has achieved a 92 per cent awareness and 69 per cent consideration a year since its launch.

ANAMIKA BUTALIA

LIC

Daddy Cool

CHALLENGE: Revitalise its agents, the most vital link with customers.

PIT FOCUSSED ON: PEOPLE. Make best agents mentors for new ones.

OUTCOME: An extra Rs 700 crore business last year.

The Life Insurance Corporation's headquarters building in Mumbai is getting a swanky look. But the work is being done at a snail's pace (it began six years ago).

T.S. Vijayan, Chairman of the public sector insurance behemoth, has reason to be unperturbed by the slow progress. "Our nearest competitor is today less than one-tenth of our size even after 10 years of competition," he says.

And in the first five months of 2009-10, LIC's share increased to 67 per cent from 60 per cent in 2008-09. "We can always be happy with a little more," says Vijayan.

That statement is the key to LIC's latest marketing initiative: not an ad campaign, not branding, but people. In April 2008, it decided to give a select band of its agents the title of Chief Life Insurance Advisors (CLIAS), and task them with appointing and mentoring agents, hitherto the prerogative of development officers.

LIC has named around 8,000 agents as CLIAS. Even as private sector players try to reach more customers, LIC could end up with another army: each CLIA can appoint five agents a year.

"They have already brought in nearly Rs 700 crore of business last year," discloses Vijayan. This year's target: Rs 3,000 crore.

ANAND ADHIKARI

RACHIT GOSWAMI

LIC's Vijayan: Great confidence in the Corporation's agents

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Sale with video projectors to be carried on Thursday 5 November 2009 at 14:30
Salle de l'Alumnat – rue Félicien Vergier – 07430 Davézieux FRANCE
Buyer registration will commence at 14:00
The machines can be viewed on site (SAS ITA) at Les Cèdres – 07100 Boulieu les Annonay FRANCE
on Thursday 5 November 2009 from 09:00 to 12:00

Auction expenses on top of the auctioned price: 12 % before tax
A letter of credit must be presented before the auction

A catalogue and photographs of the machines are available on the following site: www.interencheres.com

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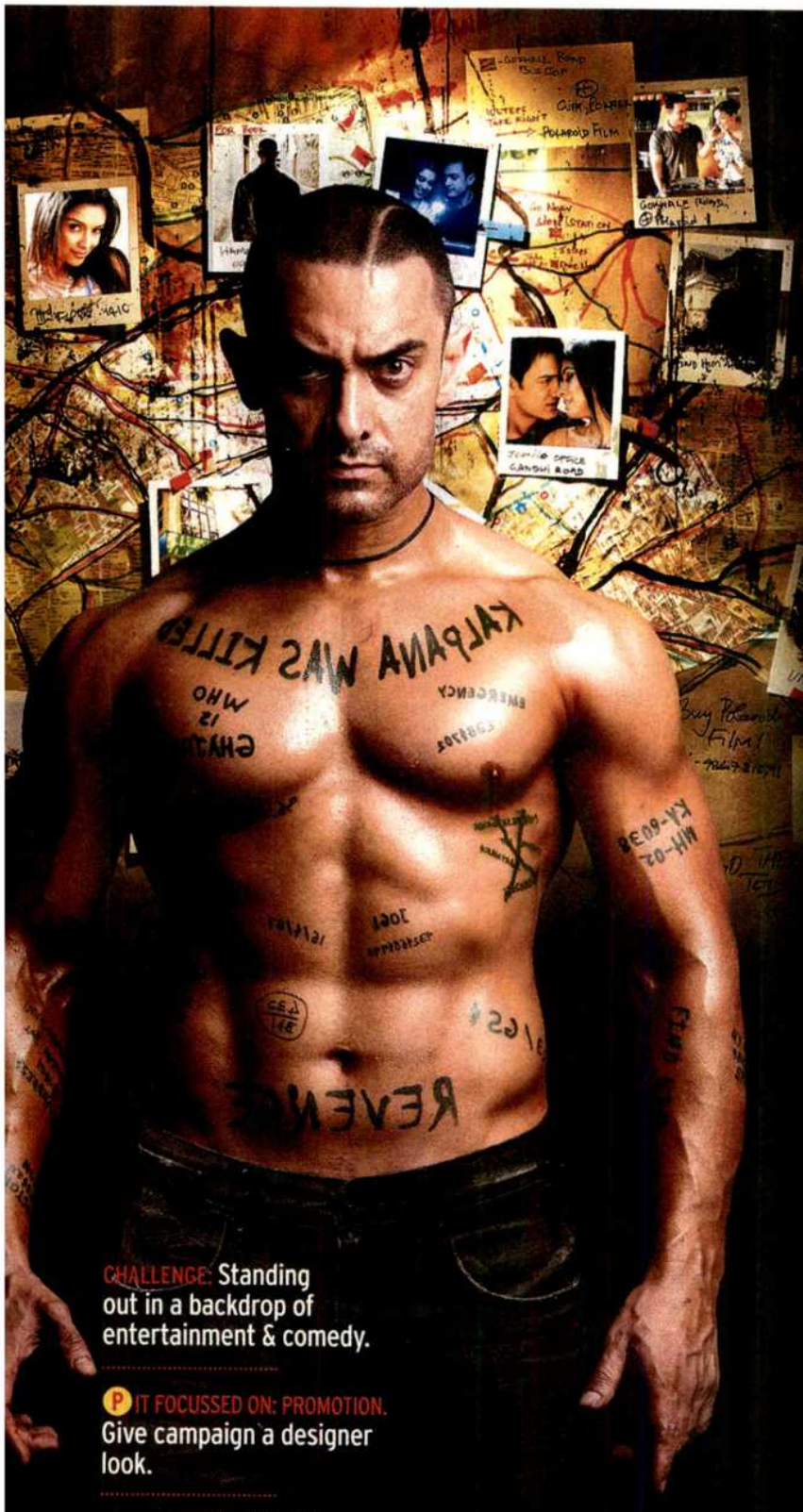


CHALLENGE: Standing out in a backdrop of entertainment & comedy.

PIT FOCUSSED ON: PROMOTION. Give campaign a designer look.

OUTCOME: Worldwide gross revenues of Rs 260 crore.

GHAJINI
In Your Face

Aamir Khan starrer "Ghajini" created waves by raking in Rs 90 crore worldwide on the first weekend of its release. But, much before that, the film's marketing had created waves with Aamir's buzz-cut, tattoos, pumped up muscles and menacing look. Staring down from billboards, at us from TV screens.

Aamir, who had led the marketing team along with producer Madhu Mantena, Studio 18 and Spice Marketing & PR, told *BT*: "The key to marketing any film is to be honest .... And tell the audience exactly what you have made."

"Secondly, how and what we communicate..., what kind of deals we do is very important. And how we get the consumers excited to consume our product is the key," he says.

Ghajini threw up some surprising feedback at the audience testing stage: it cut across demographics, genders and age groups. But there were challenges.

"Entertaining and comedy films ruled the charts. Action and heavy films were out. *Ghajini* was an action film with elements of romance in it," Aamir says. The solution: make the action exciting, give it a designer look, add a twist to attract audiences.

Then, *Ghajini* was mainstream Bollywood masala, contrary to what he had been doing for years.

Says Aamir: "The first message I wanted to send out was to prepare the audience for what they are going to be seeing. So the first promo had to be hard...."

The promo highlighted the film's physicality and Khan's new look. The in-cinema promotions had ushers at multiplexes sporting Khan's buzz cut much before the premiere. Hungama was given the mandate to create maximum visibility on the web. It came up with multiple properties to let fans experience the movie.

Total marketing cost: Rs 7.5 crore. Global gross box office take: Rs 260 crore. Not bad!

ANUSHA SUBRAMANIAN

Rohit Surfactants Founder & Chairman Murli Dhar (front): Connecting with consumers

MANISH AGNIHOTRI

Scrubbing Out Rivals

Simplicity and consistency makes a brand stand out. Look at Ghari detergent powder. Since its launch in the late 80s, Ghari has taken on multinationals and home-grown leaders and is today among the top three detergent-powder brands in India.

What makes Ghari tick? "While Ghari's price-value equation attracts a lot of middle- and lower-middle-class buyers, the media blitz figured high in the hearts and minds of consumers," says Rahul Gyanchandani, Director of Rohit Surfactants, which owns the brand. "Thanks to our media-planning machine, our marketing budgets are not as huge as those of our competitors, yet we are giving them a run for their money."Ghari is one of the fastest-growing brands, present in almost 17 states.

CHALLENGE: Battle two multinationals and local giants for market.

P IT FOCUSSED ON: PLACEMENT. Detailed media planning, catchy jingle, distribution.

OUTCOME: Has become one of the top three detergent brands.

"A product like detergent requires frequent communication...Besides, its jingle—*Pehle Istimal Kare, Phir Vishwas Kare*—connects very well with the target consumers," says Jagdeep Kapoor, CMD, Samsika Marketing Consultants.

Ghari's media planning is done taking into account the interests of both retailers and consumers, and is done specifically for each market, after months of trial and error.

Says Purnendu Kumar of Technopak Advisors: "Branding and marketing cannot work alone; detergent is a distribution-led product...The company would enter one market, give more profit margins to retailers, and achieve 100 per cent penetration before moving on to the next market."

In India's Rs 7,000-crore detergent market, Ghari claims to have clocked a turnover of Rs 1,600 crore in 2008-09, which effectively puts it among the top 3 players in the detergent segment. The other two are Wheel and Nirma.

MANU KAUSHIK

RAKHI SAWANT

Brags to Riches

One day she is an item girl. Then she "kisses" that past goodbye, uses the sympathy factor and enters reality shows. Finally, success, big time, with *Rakhi ka Swayamvar*. "NDTV Imagine hosting my *swayamvar* has been the biggest achievement of my life," says Rakhi. Even if there are reports of her heading for a split with the *Swayamvar* guy, Elesh Parujanwala, the couple is doing a controversial *Pati Patni Aur Woh* for NDTV Imagine, where they babysit a kid. "Rakhi and Elesh's presence give it an additional appeal since the entire country is interested in their lives as a couple" says Nikhil Madhok, VP Marketing and Communications, NDTV Imagine.

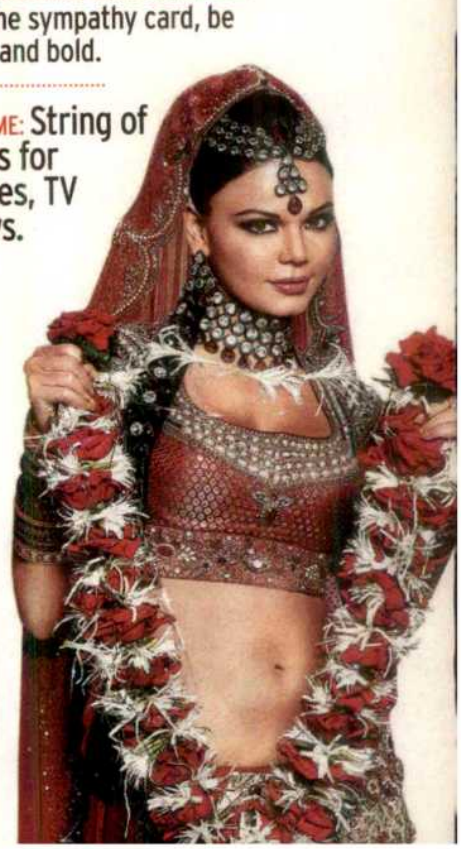
Rakhi has become a brand. As Anand Halve, Co-founder of brand consultant Chorophyll, says: "This brand stands for brashness, crudeness and a certain willingness to flaunt her unsophistication."

RACHNA M. KOPPIKAR

CHALLENGE: Becoming a star in a crowded market.

P IT FOCUSSED ON: PROMOTION. Play the sympathy card, be brash and bold.

OUTCOME: String of offers for movies, TV shows.



BEML's Natarajan: Thinking ahead

DEEPAK G. PAWAR/www.indiatodayimages.com

Riding High

What! We have a full unit that can make railway coaches but we don't make any! That was V.RS. Natarajan's first reaction when, after taking over as Chairman of BEML, the erstwhile Bharat Earth Movers Ltd., in December 2002, he was getting to know the company.

Indian Railways was not giving any orders to BEML. For BEML, making hulking beasts that could bite big chunks of earth or cart away tonnes of overburden from a mine had been a steady business, bringing in a profit of Rs 6 crore on sales of Rs 1,347 crore in 2001-02.

But Natarajan could see the demand up ahead for coaches, not just from Indian Railways but from the various Metro Railways that urban India slowly planned. And there was no sense in leaving idle the coach-making plant, a legacy from pre-Independence India .

Natarajan got cracking and began selling BEML the coach-maker to the Railway Board. Finally, in 2003, BEML got an order to build 200 non-AC coaches. More orders followed, and BEML, now Asia's second-largest maker of mining and construction equipment, is setting up a third unit, in Kerala.

BEML's timing couldn't have been better: Many cities in India are thinking of Metro railway systems but the costs can be steep due to the import of design and technology for the regular metro coaches that pack many features. BEML is offering to build low-cost coaches for tier-II cities at almost half the price of regular metro coaches and shorn of many of its features like AC, etc. With the various metro projects on the drawing board expected to soak up an investment of Rs 2 lakh crore over the next 10 years, BEML expects rolling stock orders to hit Rs 60,000 crore. BEML's aim is to grab half of this business. It has already had some success: orders worth Rs 1,672 crore from the Bangalore Metro after a stiff global bid.

CHALLENGE: Grow beyond India's saturated market for earth-moving equipment.

P IT FOCUSSED ON: PRODUCT. Creating new line of businesses from existing assets.

OUTCOME: Sharp rise in income from exports.

K.R. BALASUBRAMANYAM

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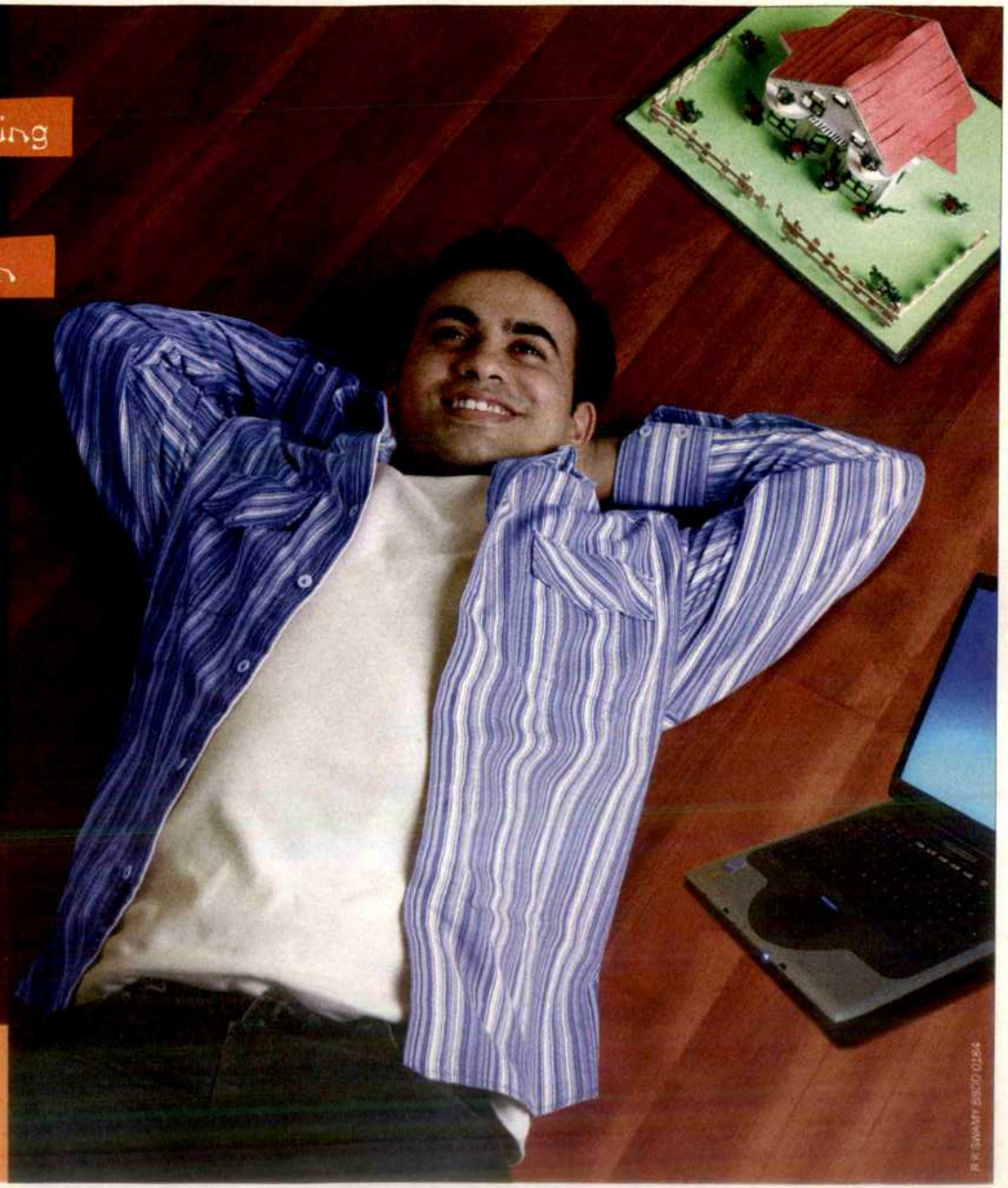
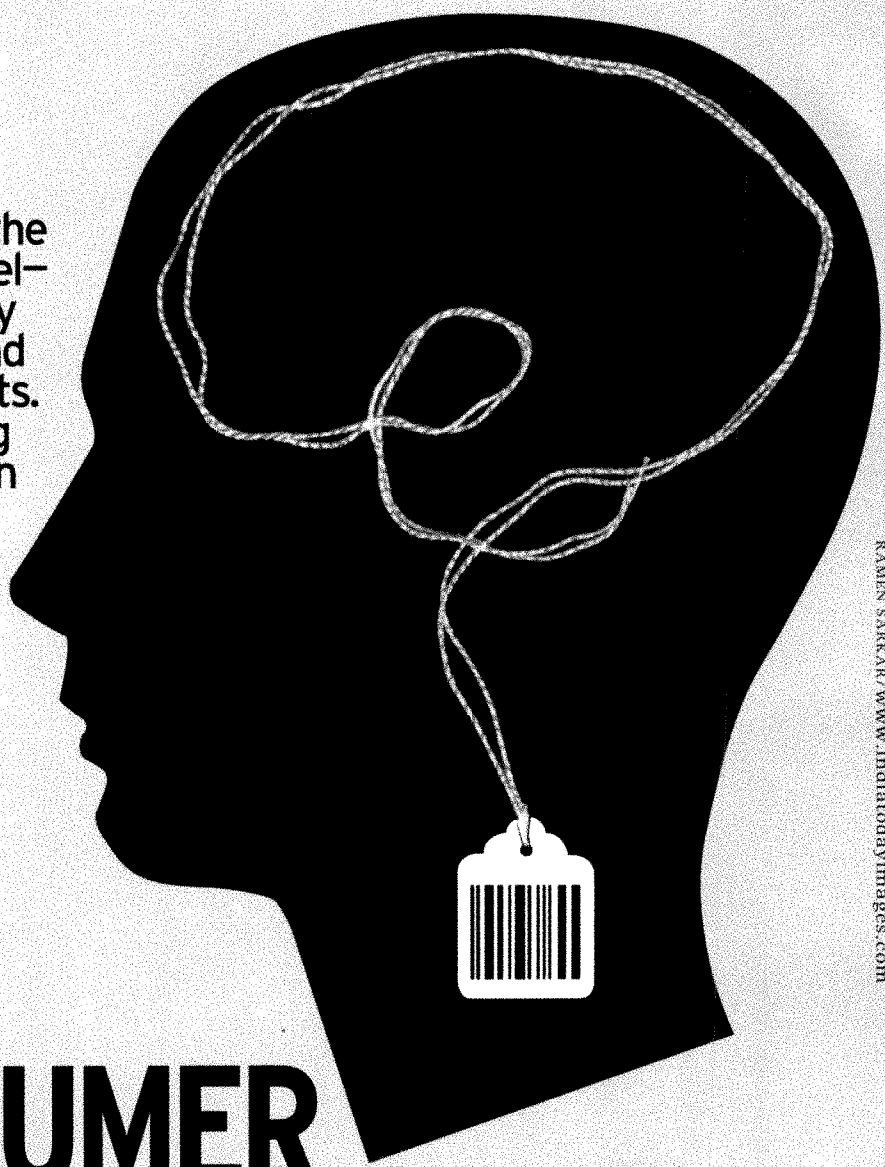


Consumers are moving outside the purchasing funnel—changing the way they research and buy your products. If your marketing hasn't changed in response, it should, says a McKinsey study.

DAVID COURT,
DAVE ELZINGA,
SUSAN MULDER, AND
OLE JØRGEN VETVIK



RAMEN SARKAR/www.indiatodayimages.com

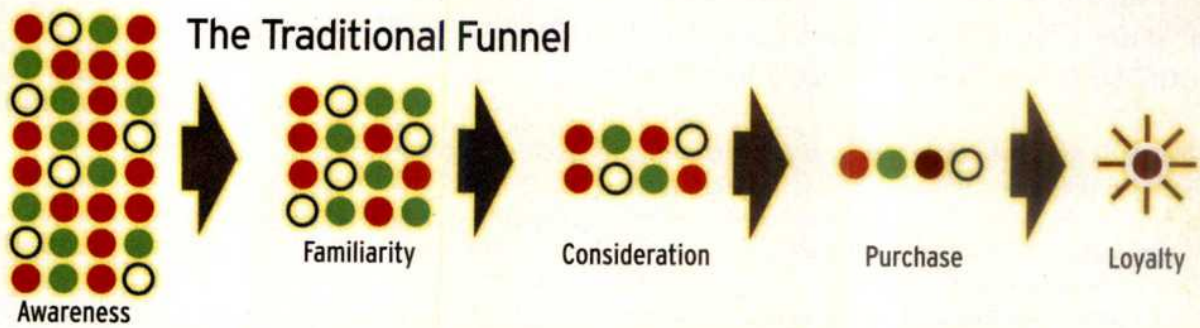
THE CONSUMER DECISION JOURNEY

If marketing has one goal, it's to reach consumers at the moments that most influence their decisions. That's why consumer electronics companies make sure not only that customers see their televisions in stores but also that those televisions display vivid high-definition pictures. It's why Amazon.com, a decade ago, began offering targeted product recommendations to consumers already logged in and ready to buy. And it explains P&G's decision, long ago, to produce radio and then TV programmes to reach the audiences most likely to buy its products—hence, the term "soap opera".

Marketing has always sought those moments, or touch points, when consumers are open to influence. For years, touch points have been understood through the metaphor of a "funnel"—consumers start with a number of potential brands in mind (the wide end of the funnel), marketing is then

directed at them as they methodically reduce that number and move through the funnel, and at the end they emerge with the one brand they chose to purchase (See chart *The Traditional Funnel*). But today, the funnel concept fails to capture all the touch points and key buying factors resulting from the explosion of product choices and digital channels, coupled with the emergence of an increasingly discerning, well-informed consumer. A more sophisticated approach is required to help marketers navigate this environment, which is less linear and more complicated than the funnel suggests. We call this approach the *Consumer Decision Journey*. Our thinking is applicable to any geographic market that has different kinds of media, Internet access, and wide product choice, including big cities in emerging markets such as China and India.

Our research showed that the proliferation of media and products requires marketers to find new ways to get their brands included in the initial-consideration set that consumers develop as they begin their decision journey. We also found that because of the shift away from one-way communication—from marketers to consumers—towards a two-way conversation, marketers need a more systematic way to satisfy customer demands and manage word-of-mouth.



In the past, most marketers chose to focus only on either end of this funnel. But by doing so, companies could miss opportunities not only to invest on the most important points of the consumer decision journey but also to target the right customer.

How Consumers Make Decisions

Every day, people form impressions of brands from touch points such as advertisements, news reports, conversations with family and friends, and product experiences. Unless consumers are actively shopping, much of that exposure appears wasted. But what happens when something triggers the impulse to buy? Those accumulated impressions then become crucial because they shape the initial consideration set: the small number of brands consumers regard at the outset as potential purchasing options.

The funnel analogy suggests that consumers systematically narrow the initial-consideration set as they weigh options, make decisions, and buy products. Then, the post-sale phase becomes a trial period determining consumer loyalty to brands and the likelihood of buying their products again. Marketers have been taught to "push" marketing towards consumers at each stage of the funnel process to influence their behaviour. Actually, the decision-making process is a more circular journey, with four primary phases representing potential battlegrounds where marketers can win or lose: initial consideration; active evaluation, or the process of researching potential purchases; closure, when consumers buy brands; and post-purchase, when consumers experience them. The funnel metaphor does help a good deal. Nonetheless, in three areas, profound changes in the way consumers make buying decisions call for a new approach.

Brand Consideration. Imagine that a consumer has decided to buy a car. As with most kinds of products, the consumer will immediately be able to name an initial-consideration set of brands to purchase. In our qualitative research, consumers told us that the fragmenting of media and the proliferation of products have actually made them reduce the number of brands they consider at the outset. Faced with a plethora of choices and communications, consumers tend to fall back on the limited set of brands that have made it through the wilderness of messages. Brand awareness matters: brands in the initial-consideration set can be up to three times more likely to be purchased eventually than brands that aren't in it.

Not all is lost for brands excluded from this first stage, however. Contrary to the funnel metaphor, the number of brands under consideration during the active-evaluation phase may now actually expand rather than narrow as consumers seek information and shop a category.

Empowered Consumers. The second profound change is that outreach of consumers to marketers has become dramatically more important than marketers' outreach to consumers. Marketing used to be driven by companies;

"pushed" on consumers through traditional advertising, direct marketing, sponsorships, and other channels. In today's decision journey, consumer-driven marketing is increasingly important as customers seize control of the process and actively "pull" information helpful to them. Two-thirds of the touch points during the active-evaluation phase involve consumer-driven marketing activities, such as Internet reviews and word-of-mouth recommendations from friends and family. A third of the touch points involve company-driven marketing (See *Where It Counts*). Traditional marketing remains important, but the change in the way consumers make decisions means that marketers must move aggressively beyond purely push-style communication and learn to influence consumer-driven touch points.

Companies like Chrysler and GM have long focussed on using strong sales incentives and in-dealer programmes. The real challenges for them are the initial-consideration and post-purchase phases, which Asian brands such as Toyota Motor and Honda dominate with their brand strength and product quality. Positive experiences with Asian vehicles have made purchasers loyal to them, and that, in turn, generates positive word-of-mouth that increases the likelihood of their making it into the initial-consideration set.

Two Types of Loyalty. When consumers reach a decision at the moment of purchase, the marketer's work has just begun: the post-purchase experience shapes their opinion for every subsequent decision in the category. More than 60 per cent of consumers of facial skincare products, for example, go online to conduct further research after the purchase—a touch point unimaginable when the funnel was conceived.

Of consumers who profess loyalty to a brand, some are active loyalists, who not only stick with it but also recommend it. Others are passive loyalists who, whether from laziness or confusion caused by the dizzying array of choices, stay with a brand without being committed to it. Despite their claims of allegiance, passive consumers are open to messages from competitors that give them a reason to switch.

All marketers should make expanding the base of active loyalists a priority, and to do so they must focus their spending on the new touch points. That will require entirely new marketing efforts, not just investments in Internet sites and efforts to drive word-of-mouth or a renewed commitment to customer satisfaction.

Aligning Marketing with the Consumer Decision Journey

Developing a deep knowledge of how consumers make decisions is the first step. For most marketers, the difficult part is focussing strategies and spending on the most influential touch points. The increasing complexity of the consumer decision journey will force virtually all companies to adopt new ways of measuring consumer attitudes, brand performance, and the effectiveness of marketing expenditures across the whole process.

Without such a realignment of spending, marketers face two risks. First, they could waste money. Second, marketers could seem out of touch.

Four kinds of activities can help marketers address the new realities of the consumer decision journey.

Prioritise Objectives and Spending. In the past, most marketers consciously chose to focus on either end of the marketing funnel—building awareness or generating loyalty among current customers. Our research reveals a need to be much more specific about the touch points used to influence consumers as they move through initial consideration to active evaluation to closure. By looking just at the traditional marketing funnel's front or back end, companies could miss exciting opportunities not only to focus investments on the most important points of the decision journey but also to target the right customers.

Hyundai allowed its consumers in the US to return their vehicles if they lose their jobs... in a poor automotive market, the company' s market share is growing.

In the skincare industry, for example, we found that some brands are much stronger in the initial-consideration phase than in active evaluation or closure. For them, our research suggests a need to shift focus from overall brand positioning—already powerful enough to ensure that they get considered—to efforts that make consumers act or to investments in packaging and in-store activities.

Tailor Messaging. For some companies, new messaging is required to win in whatever part of the consumer journey offers the greatest revenue opportunity. A general message cutting across all stages may have to be replaced by one addressing weaknesses at a specific point, such as initial consideration or active evaluation.

Take the automotive industry. A number of brands in it could grow if consumers took them into consideration. Hyundai tackled precisely this problem (in the US) by adopting a marketing campaign built around protecting consumers financially by allowing them to return their vehicles if they lose their jobs. This provocative message, tied to something very real for Americans, became a major factor in helping Hyundai break into the initial consideration set of many new consumers. In a poor automotive market, the company's market share is growing.

Invest in Consumer-driven Marketing. To look beyond

Marketers must move aggressively beyond purely push-style communication and learn to influence consumer-driven touch points.

funnel-inspired push marketing, companies must invest in vehicles that let marketers interact with consumers as they learn about brands. The epicentre of consumer-driven marketing is the Internet, crucial during the active-evaluation phase as consumers seek information, reviews, and recommendations. Strong performance at this point in the decision journey requires a mindset shift from buying media to developing properties that attract consumers: digital assets such as websites about products, programmes to foster word-of-mouth, and systems that customise advertising by viewing the context and the consumer. Many organisations face the difficult and, at times, risky venture of shifting money to fundamentally new properties, much as P&G invested to gain radio exposure in the 1930s and television exposure in the 1950s.

Finally, content-management systems and online targeting engines let marketers create hundreds of variations on an advertisement, taking into account the context where it appears, the past behaviour of viewers, and a real-time inventory of what an organisation needs to promote. Digital marketing has long promised this kind of targeting. Now, we finally have the tools to make it more accurate and to manage it cost effectively.

Win the In-store Battle. Our research found that one consequence of the new world of marketing complexity is that more consumers hold off their final purchase decision until they're in a store. Merchandising and packaging have, therefore, become very important selling factors, a point that's not widely understood. Consumers want to look at a product in action and are highly influenced by the visual dimension: up to 40 per cent change their minds because of something they see, learn, or do at this point—say, packaging, placement, or interactions with salespeople.

Integrating All Customer-facing Activities

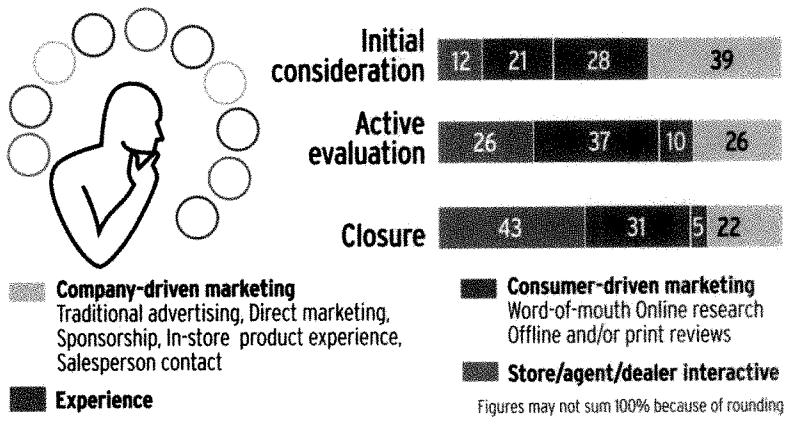
In many companies, different parts of the organisation undertake specific customer-facing activities, including informational websites, PR, and loyalty programmes. Funding is opaque. A number of executives are responsible for each element, and they don't coordinate their work or even communicate. These activities must be integrated and given appropriate leadership.

The necessary changes are profound. A comprehensive view of all customer-facing activities is as important for business unit heads as for CEOs and chief marketing officers. But the full scope of the consumer decision journey goes beyond the traditional role of CMOs, who in many companies focus on brand building, advertisements, and perhaps market research. These responsibilities aren't going away. What's now required of CMOs is a broader role that realigns marketing with the current realities of consumer decision making, intensifies efforts to shape the public profiles of companies, and builds new marketing capabilities.

Companies need an integrated, organisation-wide "voice of the customer," with skills from advertising to public relations, product development, market research, and data management. It's hard but necessary to unify these activities, and the CMO is the natural candidate to do so.

* * * *

The shift in consumer decision making means that marketers need to adjust their spending and to view the change not as a loss of power over consumers but as an opportunity to be in the right place at the right time, giving them the information and support they need to make the right decisions. ⊙



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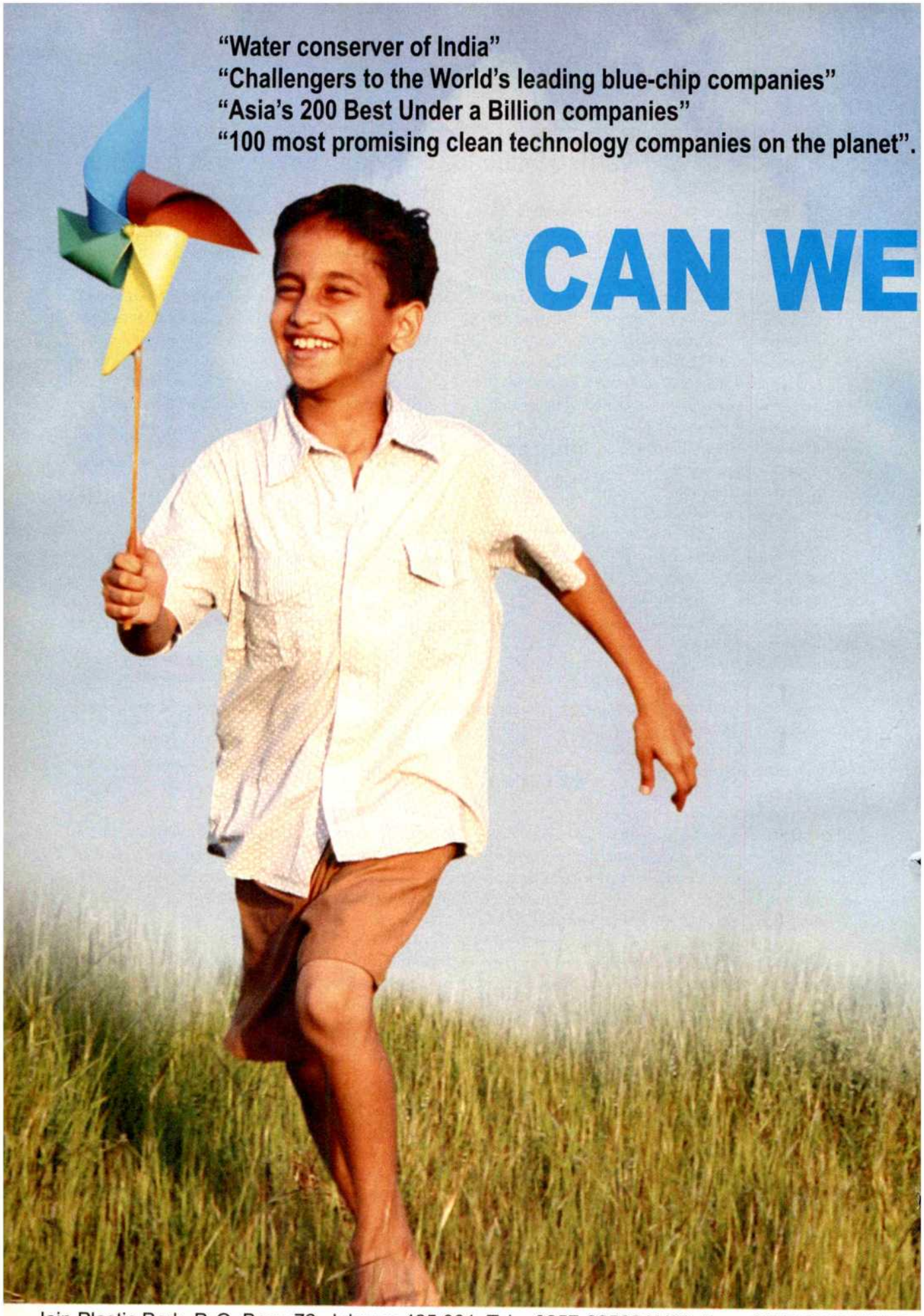

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UNESCO & west-net	: Nov. 2006
Standard & Poor's	: May 2007
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Our courage never faltered once, even when faced with innumerable hurdles in our quest for growth. Our faith remains unshaken in the ability and adaptability of our people. Finally, our gratitude to all those who told us that it would be impossible to do big business from a small town. That made us more determined to become multi-national, yet stay firmly rooted to our soil and culture So, can we ask for more? Perhaps, we can. But, regardless of any recognition we may or may not get, we continue to do our best for all farmers.

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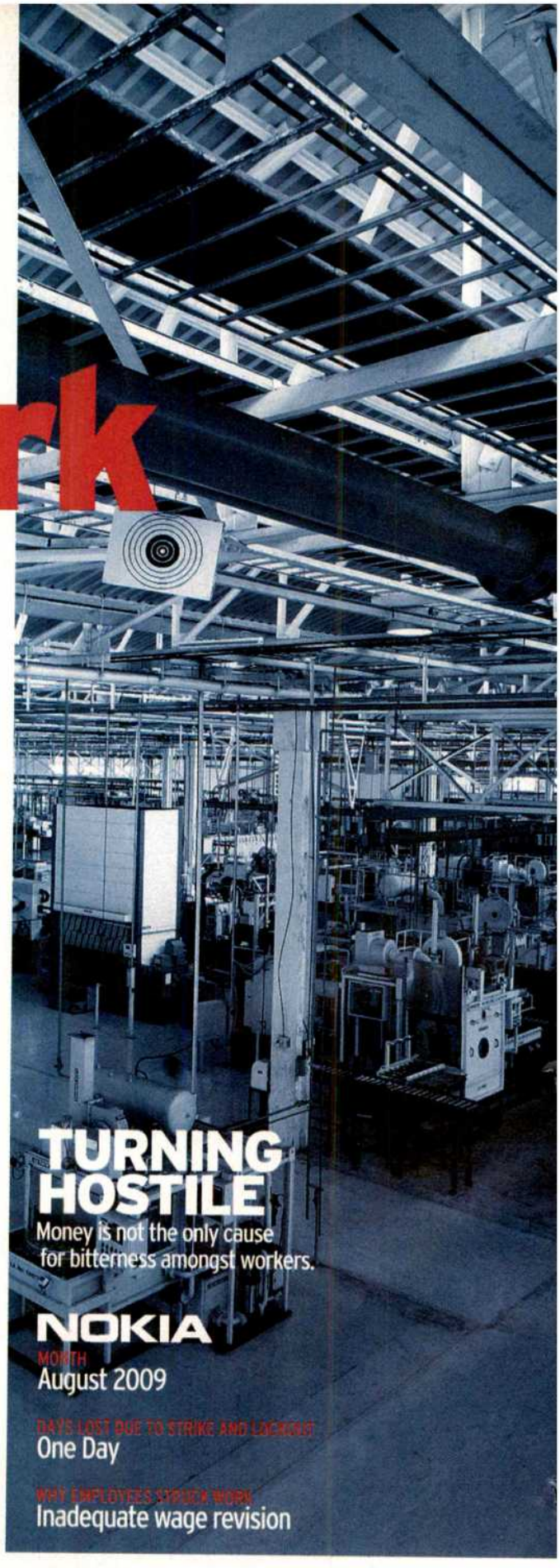
None at Work

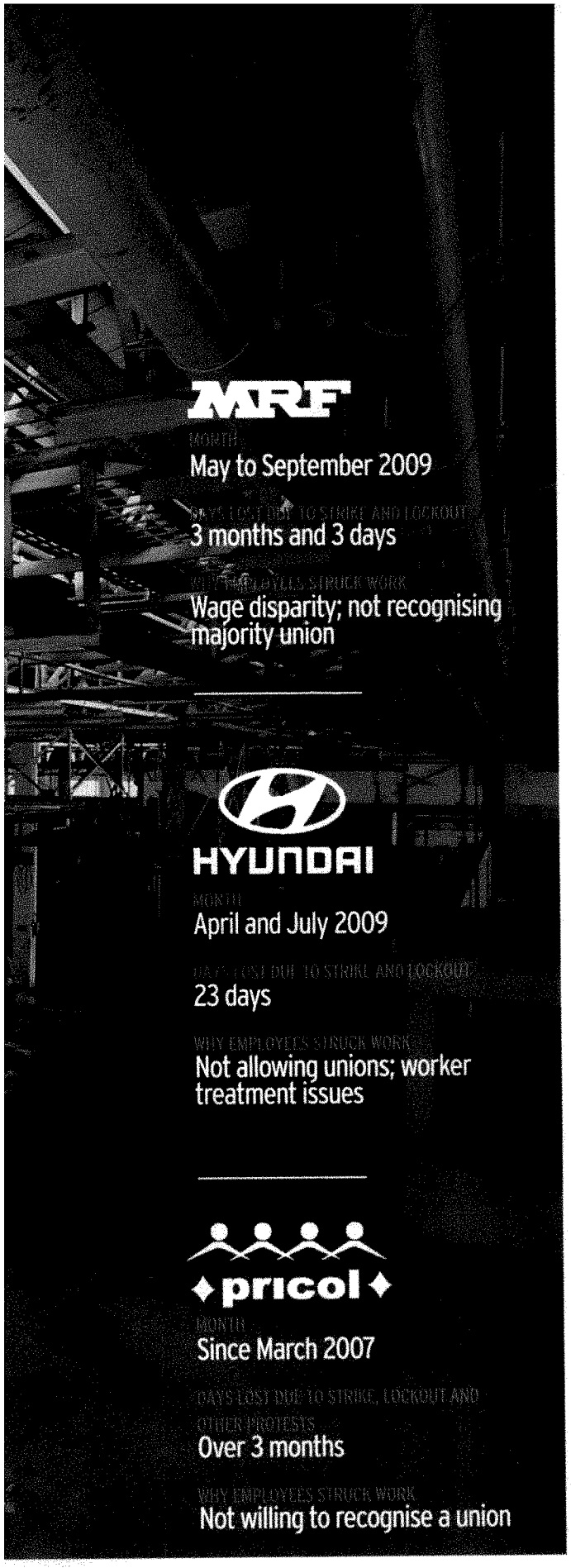
A series of high profile labour strikes is tarnishing Tamil Nadu's well cultivated investor-friendly image. NITYA VARADARAJAN

Over the last two years, potests had become a routine phenomenon at Pricol, the Coimbatore-based auto components manufacturer. Ever since a section of the employees who came under the All India Central Council of Trade Unions (AICCTU)-Tamil Nadu questioned the wage agreement (in 2007) that was in force, the relationship between the union and the management had turned frosty. But still, few would have predicted what happened on September 21 this year. A section of disgruntled workers employed at the company's Kuniamuthur unit, who were dismissed earlier in the day on account of "misdemeanor", went to Pricol's main factory at Perianaickenpalayam with iron welding rods and brutally assaulted to death the company's Vice President (HR) Roy J. George.

If the Pricol incident grabbed the headlines for the tragedy it ended in, the simmering tension between workers and management of various other high profile companies across the state such as Hyundai, Nokia and MRF is blowing apart Tamil Nadu's image of an investor-friendly state—a virtue the government has been effectively using to garner investments both from within the country and abroad.

In Hyundai Motor India (HMIL), between April and July this year, employees struck work for about 23 days. Though the company had a Worker's Committee that handled wage negotiations, a section of the permanent workers (300-400 of the 1,500 employees) deemed it fit to form a politically-affiliated union with the



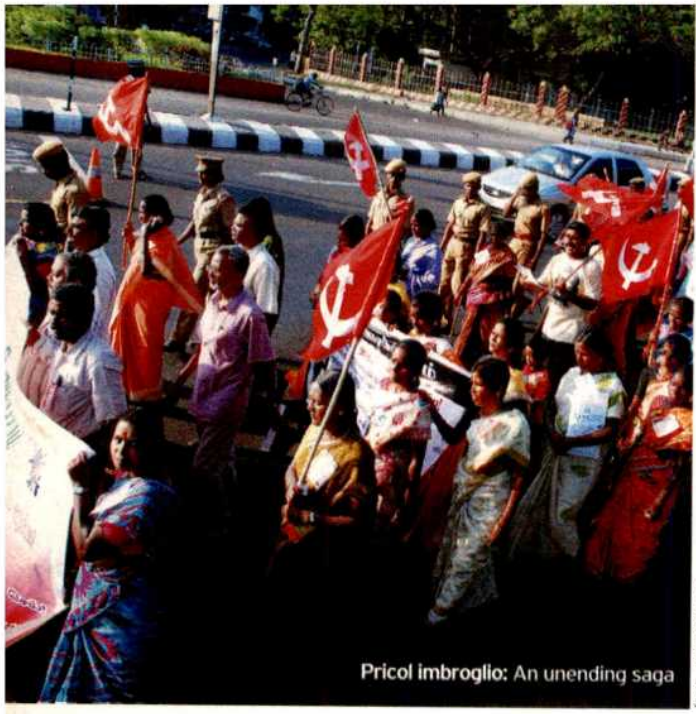


support of the Centre of Indian Trade Unions (CITU). "The issue here is not about pay but more about bad working environment. In our opinion, the employees can be treated a lot better. The workmen hate their 'robot like' existence and want to exert their individuality," says A. Sounderarajan, General Secretary of state CITU. Hassled by production loss, Hyundai, which has made the Chennai plant its global hub for production of i10 and i20 models, reportedly threatened to move its production out of the facility.

On August 14th this year, there was a flash strike at Nokia's manufacturing facility in Chennai. The issue for these youngsters (mostly between 18-21 years of age and 70 per cent women) was the wage hike. They felt that the hike that finally came after five years was too inadequate and wanted a salary in line with similar factories in the neighbourhood. Nokia did not have a union then and the strike took the company by surprise. Now a union affiliated to a political party has been formed and negotiations are on. The handset major, while reiterating its commitment to amicable wage settlement, maintains that its existing salary levels are very competitive, well above the recommended wages by the government and that its employee practices follow the spirit of International Labour Organisation (ILO) conventions.

At MRF, the workers have been pressing the management for recognising the majority union instead of ad hoc wage settlements with a "puppet union". The 2004 wage settlement had been totally dissatisfactory. According to them, workers at the Arakkonam (TN) and Pondicherry factories were getting less than half the salary of the Tiruvottiyour plant (main unit at Chennai) for same work experience. When the 2008 settlement was made and the discrimination continued, workers in Pondicherry and Arakkonam plants resorted to a strike, which along with a lockout lasted 120 days. D. Christopher, General Secretary, United Worker's Union (UWU), accuses the management of being non-transparent. "Their variable pay-outs are hidden in complexities and it finally doesn't make much difference to our pockets," he says, adding, "the court has now passed an order to the state to identify the majority union which has to be heard. If this is not implemented, we will resume our battle." MRF had reportedly lost Rs 1,000 crore in production.

Experts say that not recognising the right union or for that matter any union at all is proving to be a major irritant among the employees. While MRF refused to comment, Hyundai spokesman said: "HMIL stand is that it will not recognise any outside union as both the management and HMIL workers are happy with the worker's committee and the way they have looked after worker interest. So it sees no point in



Pricol imbroglio: An unending saga

G. KESHAV RAJ

GETTING WORSE

Incidence of strikes and lockouts in Tamil Nadu has been on the rise in the last few years.

RAMEN

YEAR	TOTAL STRIKES AND LOCKOUTS	WORKERS AFFECTED	MAN-DAYS LOST
2005	71	21,760	10,99,634
2006	51	13,929	7,03,102
2007	66	34,474	10,66,522
2008	86	23,296	7,32,586

Source: Tamil Nadu Labour Department

accepting or acknowledging any outside union led by vested interests and politically motivated."

Lack of communication is another trigger. According to Ganesh Chella, CEO, Totus Consulting, a company involved in strategic and operational HR solutions, most managements don't have a clear policy that in turn needs to be communicated through HR. Quite often, today's HR is focussing only on talent management and not human relations. "And in turn many HR managers don't have the courage to point out to the management when they see a conflict between management philosophy and day-to-day operations," he says.

At Pricol, experts point out that the management did not engage in talks in the initial days (in 2007) with AICCTU because they went on strike without registering the union. Sometimes playing by the rule book has its own limitations. Talks early on could have diffused the situation and prevented the tragic consequences, they add.

Entry of contract workers into the shop floor has become another source of heartburn. In fact, contract workers far outnumber permanent employees—at times in the ratio of 3:1. Hyundai, for instance, has 6,500 contract workforce against 1,500 permanent workers. Nokia has only contract workers, currently numbering 8,000. In Arakkonam, MRF has 5,000 contract workers against 1,400 permanent staff. This is adding to insecurity among the permanent workers, who fear that only a fine line divides the two sides in terms of skill sets and that they could be replaced any time.

Also, contract employees get paid significantly less for the same work. "If there is no equal pay for equal work, there is bound to be employee discontent," Chella points out. Contract workers have far lesser benefits/rights, hence greater scope of exploitation.

The Tamil Nadu government, for its part, has been living in denial and resorting to quick fixes to bring a strike/lockout to an immediate end. "Our labour climate is very good—less than 1 per cent of man-days are lost in Tamil Nadu, which has the maximum number of factories (42,452) and workforce (14,37,910)," says M. Velmurugan, Director, Guidance Bureau, the state's single window agency for investments. He maintains that the state's investment climate is healthy and proposals worth Rs 11,000 crore are close to finalisation. Many in the government, it appears, are oblivious of the data the State Labour Department has released, which show an increasing incidence of strikes and lockouts in the state over the years. It was 51in 2006, 66 in 2007 and 86 in 2008. ⊙

WHAT THEY SAY

TN Government
Stray cases. Labour climate in the state ideal.

Unions
Prevent labour exploitation, ensure wage parity & recognise majority unions.

Experts
Labour situation is ripe for explosion and quick-fix solutions will not work.

Companies
We are not doing anything wrong.

INSPIRED BY YOU.
TRUSTED BY THE WORLD. SINCE 1910.

AIR CONDITIONERS
Energy efficient, premium comfort

ACE FOLLOW ME (1.5 Tr.) MODEL NO. RAU018HPD

3 DOOR (438 Liters) MODEL NO. R-S37SVND

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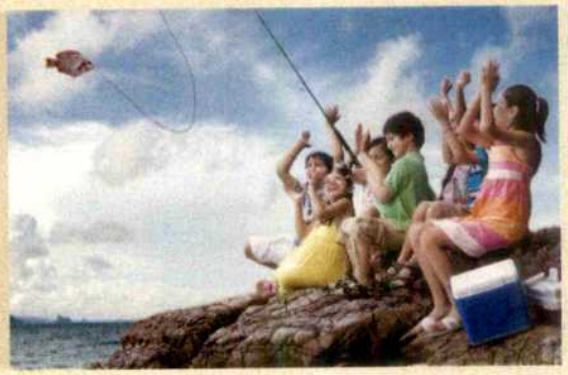

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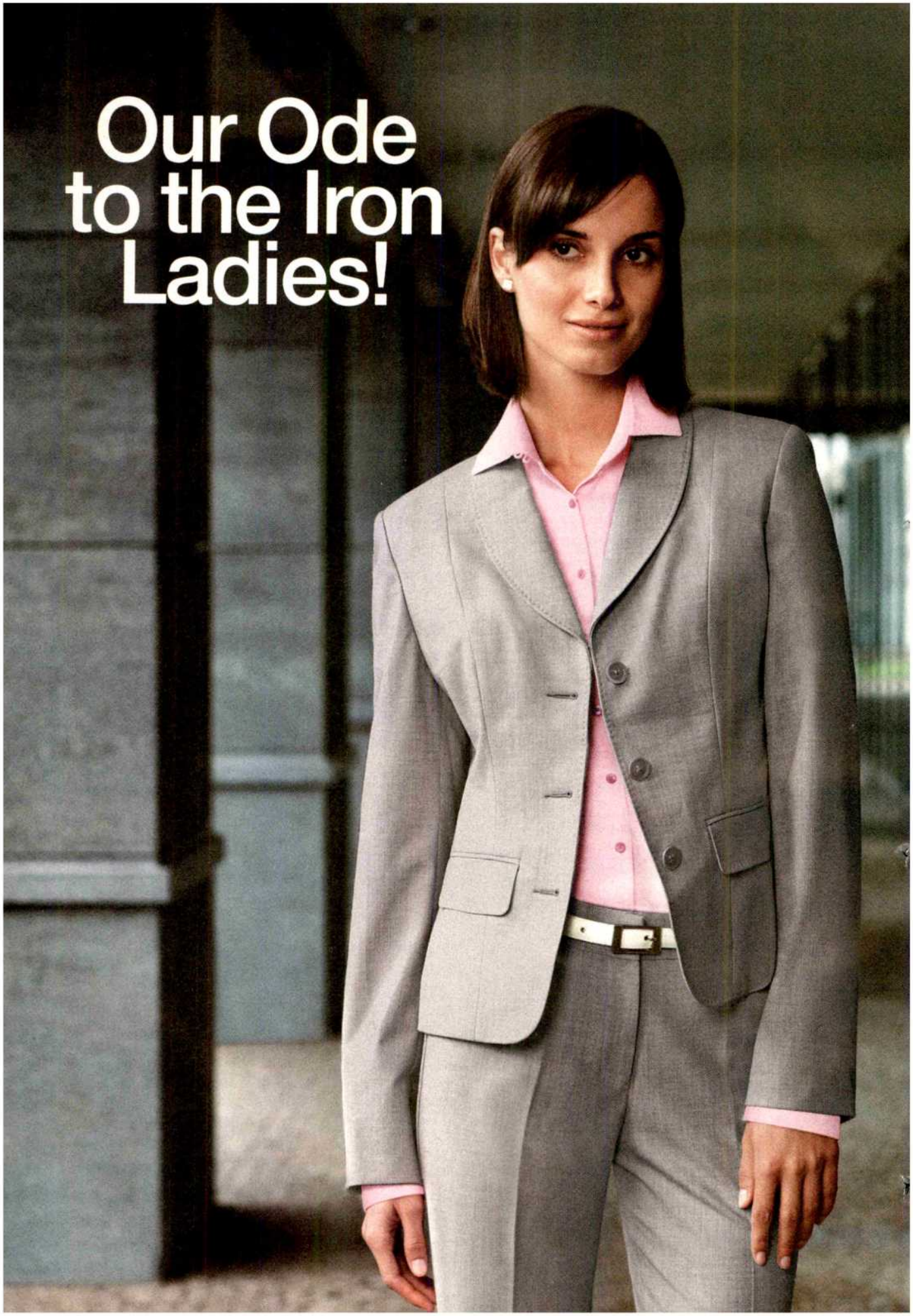
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Finance Jobs Are Back

The first and worst hit by the downturn, the financial services sector has started to grow and hire. Healthcare, IT and ITES also get into the hiring mode.

RACHNA M. KOPPIKAR & RAHUL SACHITANAND

■ *Last fortnight, Tata Capital announced plans to scale up its Consumer Finance and Advisory Business (CFAB) by covering 71 cities through a chain of over 100 branch offices by December 2009. It has already hired 400 graduates as customer relationship executives for the branches and will add 200 before December.*

■ *L&T Finance, the infrastructure major's finance arm, which recently bought DBS Chola Mutual Fund, has hired close to 700 people from rural areas for its microfinance venture that has three lakh borrowers under its fold. It is also selectively recruiting talent at middle level, says L&T's Executive VP N. Sivaraman.*

■ *Kotak Mahindra Group has hired around 100 people at the front end over the last month. A little over one year ago, hiring 500 a month for the same profile was the norm. The firm still maintains a cautious stance and is not getting into hiring at the mass level.*

RAMEN SARKAR

Figures are percentage of companies in financial services with positive intentions to hire

After a chilling spell of freezes and lay-offs, hiring is warming up in financial services. Not so long ago, brokerages, investment banks, mutual funds and insurance companies were busy pulling down shutters of their branches, sacking people and cutting salaries. But there could be a trend reversal soon. BT-TeamLease Employment Outlook Survey for October-December 2009 reveals that a majority of financial services firms surveyed (it considered entities listed on BSE only) intends to increase the headcount over the next three months. Says Sonal Agrawal, Chief Executive, Accord Group (India): "It's a jobs comeback of sorts. Most companies are hiring selectively, cautiously and mostly in small numbers."

SIDHYA PATIL

Most placement firms and recruiters BT spoke to were of the opinion that the worst was behind them. A lot of activity is taking place in financial services: I-banking, asset management, private equity, insurance are all in hiring mode. Not aggressively so, but hiring decisions are being made. For instance, Tata Capital has hired in volumes for CFAB, but is selective in hiring for its Investment Banking and Private Equity business. "This is the first phase of our expansion and we have made a conscious effort to hire freshers and professionals with up to four years of experience. The new workforce will be trained to undertake multi-product retail selling," says Amar Sinhji, HR Head, Tata Capital.

READY TO RECOVER

64 (Oct.-Dec. '09)

49 (July-Sept. '09)

The hiring is more evident and in large numbers amongst the new players, who are in the process of setting up teams. Firms like Axis Bank (which has just got an approval to launch a mutual fund) and ASK Group, which is awaiting SEBI's approval for launching a mutual fund business, could get into hiring mode once their plans get rolling.

Sameer Kamdar, CEO of the proposed AMC at the ASK Group, says that once it gets in-principle approval, close to 40-50 people will be hired across functions—sales and marketing, investment management, operations and legal. His group has also been hiring staff for its Private Equity, Real Estate Advisory and Wealth Management businesses.

Creation of new jobs in insurance continues; the sector has remained the least-affected among BFSIS in the aftermath of the financial meltdown. Recently, HDFC Standard Life has hired 150 graduates for frontline sales division. While it has also expanded its investment management team from 12 to 16, Sharad Gangal, GM (HR), says: "We are keeping a close watch on the market conditions for the next 2-3 months before considering fresh recruitments."

Sure enough, the galloping stock market is largely responsible for the optimism in the job market across sectors. But it has brought one segment back in the hiring game big time: the brokerages, as the daily average trading volumes on National Stock Exchange (NSE) have almost doubled from Rs 9,559 crore in January 2009 to Rs 18,250 crore in September 2009.

WHERE THE JOBS ARE

Tata Capital has hired 400 graduates in 4-5 months and plans to add 200 for its Consumer Finance and Advisory Business.

L&T Finance has hired around 700 permanent and temporary staff for its microfinance business.

HDFC Standard Life Insurance hired 150 graduates for frontline sales.

Standard Chartered has announced plans to hire 2,000 people for setting up Scope International, a knowledge process outsourcing unit in Bangalore.

HDFC Securities plans to hire 150 professionals for its branch expansion.

Antique Stock Broking plans to hire 25 professionals for HNI Desk, Investment Banking and Compliance teams.

RECENT PEOPLE MOVEMENTS

Surojit Shome
From Nomura Holdings to Rabo India Finance as MD & CEO.

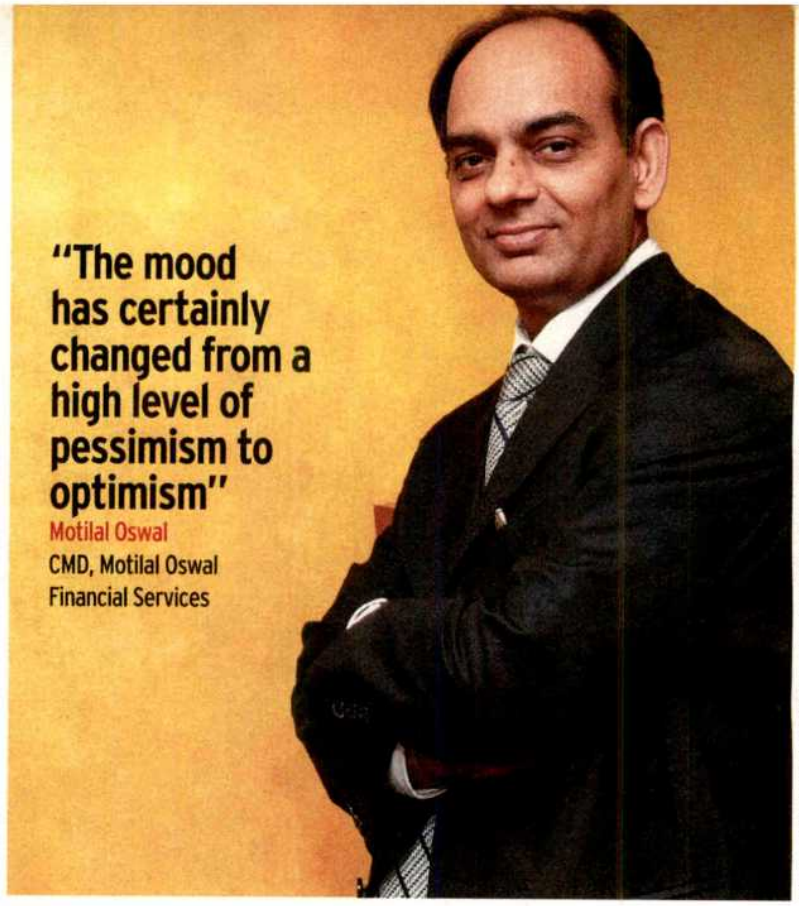
Ravi Shankar Gopalan
From Citibank Malaysia to Apollo Sindhoori as COO.

Sandeep Jain
From Private Client Group of Ambit Group to Morgan Stanley Private Wealth Management as Private Wealth Advisor.

Shweta Jalan
From ICICI Ventures to set up Advent International's India office.

Saurabh Sonthalia
From AIG Asset Management Company to DSPML as Head of Capital Markets.

Badrish Kulhalli
From Principal AMC to HDFC Standard Life Insurance as Senior Fund Manager.



RACHIT GOSWAMI/www.indiatodayimages.com

"The mood has certainly changed from a high level of pessimism to optimism and the business has also picked up," says Motilal Oswal, CMD, Motilal Oswal Financial Services. His firm has recently bought a 75,000 sq. ft. six-storeyed property in Worli, Mumbai, to centralise its operations and plans to increase its headcount in the broking business during this quarter.

Similarly, Antique Finance, which started to expand its presence in institutional broking, research and investment banking in 2008, has hired over 60 professionals for these businesses in the past year. "We had the benefit of hiring these talented professionals at a time when markets were bearish and the broking industry was grappling with excess staff issues," says Kirti Doshi, Director, Antique Finance. By the end of this year, his firm plans to add 25 professionals across its high networth desk, compliance and investment banking teams.

HDFC Securities is that rare entity among brokerage houses that could continue with its ramp-up during the downturn. From 15 branches in the beginning of 2008, it now has 60 branches. The company added around 190 professionals for branch expansion as well as for new financial services such as third party distribution of funds and insurance and wealth management at a time when its peers were retrenching staff. "Expanding our presence during the last year certainly helped us grow faster as professionals looked out for stable organisations rather than just a salary hike," says Aseem Dhru, MD & CEO, HDFC Securities.

His firm plans to increase the branch network to 100 by March next year and will hire 150 professionals, including senior level managers, to manage the branch network.

However, headhunters say that it could be too early to conclude jobs are being created in large numbers. "Till last year, the finance firms had frozen plans to hire more people or in some cases, even the replacement hiring was put on hold. Now what has really picked up is the filling up of

First they drop the apple

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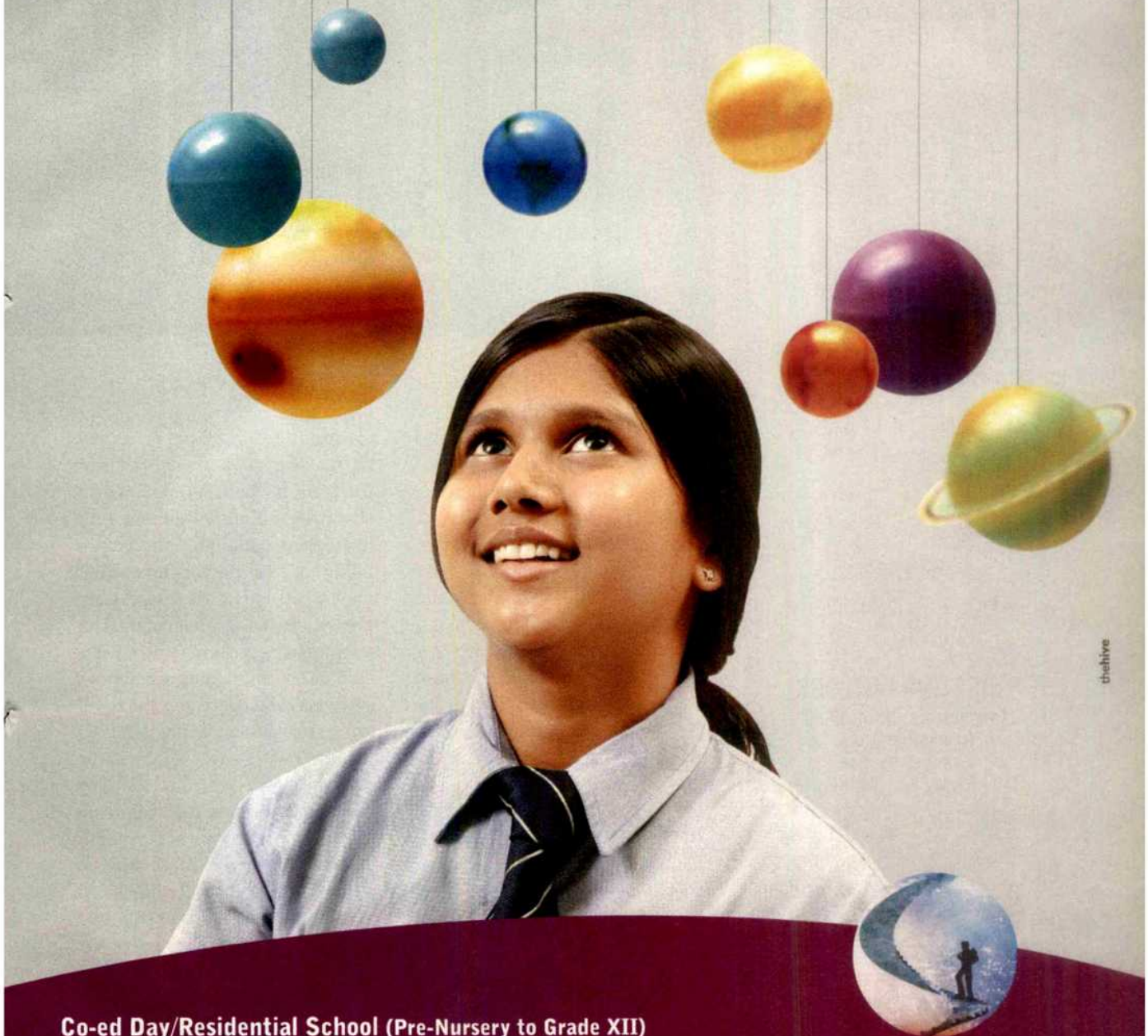

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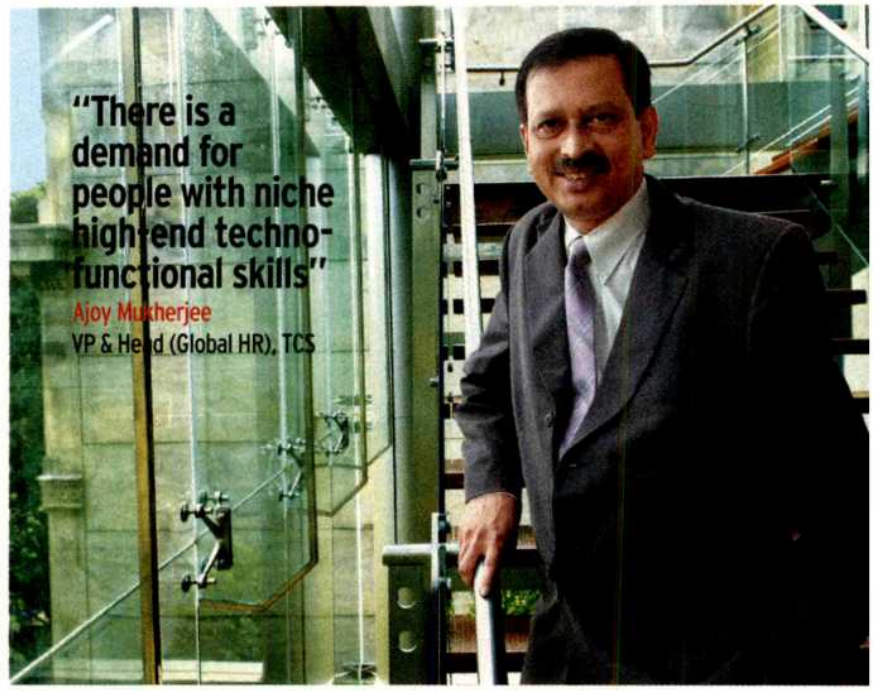
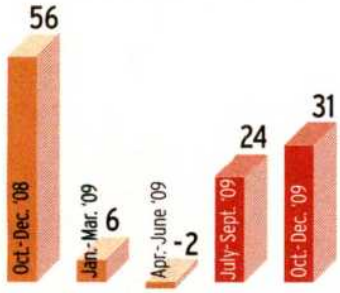


MANDAR DEODHAR

THE BREAKDOWN

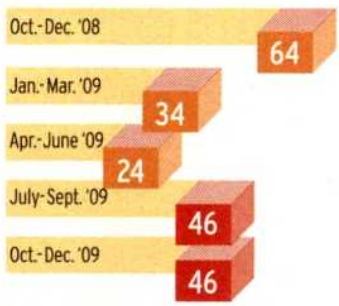
BUSINESS OUTLOOK

Up by 7 points over last quarter



EMPLOYMENT OUTLOOK

Despite upturn in financial sector, overall job outlook is unchanged.



CITY-WISE JOB OUTLOOK

Hyderabad makes a strong hiring comeback, while others continue with their roller coaster ride.

vacant positions," says Hitesh Oberoi, COO, Naukri.com, the largest job portal. It could take another 3-4 months for finance firms to start increasing the headcount in numbers, he adds.

Agrees Makarand Khatavkar, HR Head for Deutsche Bank. His take on hiring is that investment banks are largely filling vacant positions. "As market sentiments improve, investment banks are augmenting talent pools. But a massive uptick in the job market will not happen simply because of some buoyancy in the economy," he says.

On a Wing and a Prayer

The rest of the sectors will vouch for Khatavkar's observation. These sectors continue with their small spikes (IT & ITES) and in some cases steep falls (retail, telecom, manufacturing & engineering), keeping the overall employment prospects flat (see *The Breakdown*). While the sentiment has turned positive and so have hiring intentions for some sectors, actual hiring will pick up momentum gradually. One market hiccup and hiring intentions could well disappear for another couple of quarters.

Among the sectors surveyed, IT, ITES and healthcare are firmly on the recovery path. Companies are slowly beginning to rekindle their hiring plans, initially focussing on filling up existing vacancies, then moving on to mid rung talent and even hunting for senior managers to run entire business units. Semiconductor companies, which had frozen recruitments across the board, are now beginning to thaw their hiring plans.

For example, semiconductor firm Xilinx has revived its hiring plans since June this year and will add 75 people by March 2010. "There is a broad requirement for integrated chip design, IP core and solutions development, software development and systems and applications development," says Vamsi Bopanna, CTO, Xilinx India.

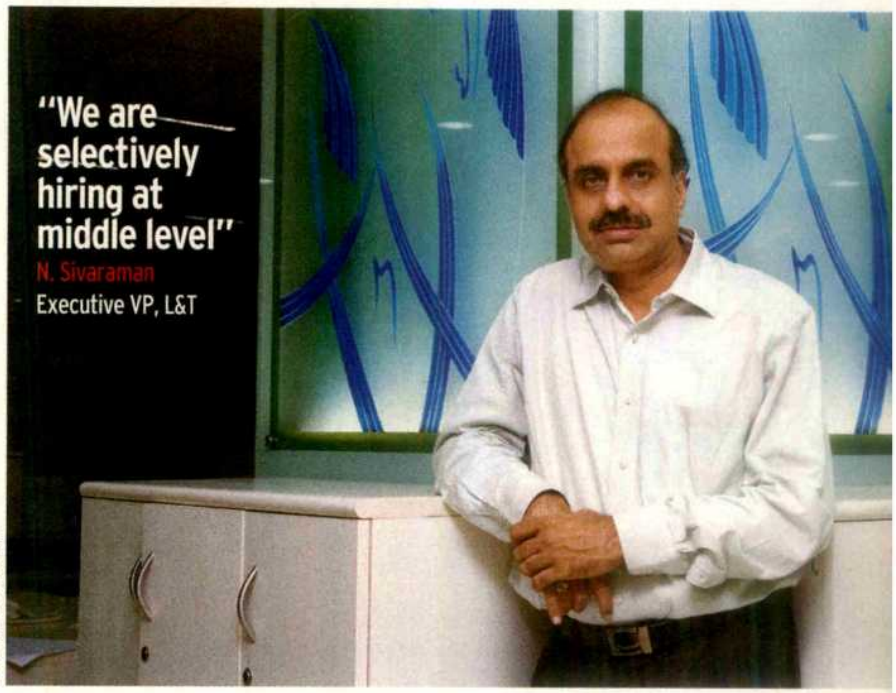
Despite these numbers, HR consultants and headhunters aren't optimistic about mass or entry-level hiring in the IT sector. "The employment outlook is bearish at the fresher level," says Anish Singh, Chief

Executive, Techbridge Networks, a Bangalore-based HR consultancy. "Most hiring is at mid-range (4-9 years) and in areas such as tech support, maintenance and QA (quality assurance), rather than core R&D," he argues.

However, in emerging sectors such as mobile and mobile payments, there is a scramble for talent, as companies look to set up and expand their capability in this market. "The mobile payment services industry is touted to be the next growth engine both in India and other emerging markets," says Dilip Nagaraja, who has joined as Executive Vice President (Global Engineering), Obopay, over a month ago, after working at Intuit.

The country's largest software exporter, Tata Consultancy Services (TCS), which recently announced plans to go back to salary hikes and promotions, is slowly, but surely, opening the recruitment tap. Says Ajoy Mukherjee, VP & Head (Global HR), TCS: "There is a demand for people with niche high-end techno-functional skills across experience bands—enterprise solutions, IT infrastructure and BPO."

Even as technology companies slowly roll out their hiring plans, the pace of recruitment may actually be driven by the relatively recession-proof healthcare industry. For example, Biocon plans to recruit at least 425 people across all its group companies, covering a diverse range of roles. "The job market in the Indian pharma/biotech industry has remained competitive and the impact of the global slowdown has been less severe," says Ravi Dasgupta, HR Head, Biocon.



RACHIT GOSWAMI

Among cities, Hyderabad is the new city of joy. It seems to have gotten rid of the spectre of Satyam scandal. The hiring intentions have surpassed expectations in the city, with a rise of 43 index points to 76 per cent. "Hyderabad, along with Andhra, definitely looks better in comparison to some of the other agri states in the country," says A. Vellayan, Vice Chairman of the Chennai-based Murugappa Group. Its major group company, Coromandel, is based out of Hyderabad.

Pharma, a sector the region is known for, also seems upbeat. Says Rajeev Nannapaneni, COO, Natco Pharma, one of the six companies in the country that have got the licence to manufacture the generic version of Tamiflu to deal with H1N1: "We have a total employee strength of around 2,000 people and we hope to add about 10 per cent his year."

According to Surabhi Mathur-Gandhi, General Manager, TeamLease Services: "The employment outlook for the current quarter maintains its cautious optimism. We expect to see some additional increase in hiring in Q4 (January-March 2010). The industry is overall upbeat about the business and this will translate into improved hiring in the next six months." ⊙

ADDITIONAL REPORTING BY
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GM- Manufacturing for CEAT
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Aricent Technologies Limited
Manager -Organisation Development
Location: Gurgaon
Job ID: 7453781
Description: Minimum 8-10 years of total e in HR and 3-4 years in Organisati Development. This person will be responsil for designing & implementing Organisati Development interventions.

IPsoft India Pvt Ltd
Vice President- International Sales
Location: Mumbai
Job ID: 7304768
Description: Engineer/MBA with strong commercial & negotiating skills; proven track record in sales with an understanding of customer analysis, business plans, marketing from MSP/ ISP.

Wipro Technologies
Senior VMware Consultant
Location: Bangalore
Job ID: 7469582
Description: Aspirant must have knowlec of VMWare products for virtualizati designing and provisioning common storage the ESX servers; designing and implementi LAN switching solutions.

KPIT Cummins Infosystems Ltd.
Analog Design Practice Manager
Location: Bangalore
Job ID: 7467962
Description: Person should have seen more than 3 different areas of work in analog; excellent communication skills; ability to imagine & drive new solutions; product & service company experience.

CMS Computers Limited
Vice President (West)
Location: Mumbai
Job ID: 7467537
Description: Canddiate must have done PG marketing plus operations /syste management; knowledge on IT hardw networking/ infrastructure manageme project management.

Mastek
Lead Technical Architect (J2ee)
Location: Mumbai
Job ID: 7467132
Description: Responsible for the development of overall technology vision that underlies the product architecture and transforms through execution into solution; must be expert in SOA, J2EE, core Java.

EMC Corporation
Consultant Software Engineer
Location: Bangalore
Job ID: 6992648
Description: Incumbent must have expert in server design and development for real-ti streaming data; knowledge in various protoc (FTP/SMTP/SNMP/SIP, ODBC/JDB C++ technologies.

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Mila Software
Systems/Lead Architects - Java
Location: Hyderabad
Job ID: 7351183
Description: Required Systems Architect with hands-on exp who will play a lead role in design of internet scale distributed architecture using Java EE, XML/web services, EAI technologies.

IPsoft India Pvt Ltd
Peoplesoft Financials (Peoplesoft FMS) Consultant
Location: Bangalore
Job ID: 7444699
Description: IPSoft, the fastest growing MSP in the USA; requires exp in PeopleSoft FMS application and data processes, procedures, programs. PeopleSoft FMS 8.8/8.9/9.0. Exp: 5-15yrs.

AMCC
Analog IC Design (Senior Engineers/Leads/Managers)
Location: Pune
Job ID: 7341619
Description: Global leader in Energy Conscious Computing & Communications solutions. Requires experience in design of analog blocks used in phy chips for highspeed communications required.Exp: 3-13yrs

TATA Projects Ltd
Sr. Oracle Apps DBA
Location: Hyderabad
Job ID: 7436983
Description: 3 - 7 yrs exp in Installing of Oracle application and upgrading periodically, Database migration to new Oracle DB, Copy/Clone of Oracle application environment using Rapid clone; and more.

Capgemini
Team Leader/ Technical Leader
Location: Hyderabad
Job ID: 7470115
Description: He/She must have done B.E. Comp Sc. / MCA; must have experience in siebel implementation, Oracle; rich understanding of Siebel data model & architecture.

Cognizant Technology Solutions Pvt Ltd
System Administrator
Location: Pune
Job ID: 7391168
Description: Person must have experience in incident management, change management; knowledge of ITIL framework,service desk; experience on client interaction; good communication skills.

Firstsource Solutions Limited
L3 Network Support Engineer
Location: Bangalore, Chennai
Job ID: 7452638
Description: Aspirant must have ability to handle checkpoint, cisco router and switches; experience on core networking, incident management, trend analysis and provide RCA & FIX.

Thomson Reuters
Senior Software Engineer
Location: Hyderabad
Job ID: 7468716
Description: Engineer must have Master's Degree in Computer Sciences; experience in web application development, .NET, ASP.Net, VB.Net, ADO.Net, WCF services, XML, XSL, JavaScript, DHTML.

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Business Development Manager
Location: Gurgaon
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Description: The candidate should have 12 – 15 years experience in EPC environment of Energy Sector (priority industry oil & gas, including power).

CMS Computers Limited
Branch Manager
Location: Chennai
Job ID: 7467564
Description: Professional must have exposu to sales and marketing, business developmer profit centre/ project/ key accou management, techno-commercial/ servi operations.

Cisco Systems (India) Private Limited
Business Development Manager
Location: Mumbai
Job ID: 7459750
Description: MBA from IIM/ ISB / or finance background; exp. in fast passed Technology company/ Telecom industry; must have strong financial model skills with Microsoft Excel & PowerPoint skills.

New Horizons India Ltd
Business Development Executive
Location: Delhi, Noida
Job ID: 7461953
Description: Candidate have been involved sales of IT Trainings; competent in making en to end presentations & even giving the sam have good communication & interperson skills.

Firstsource Solutions Limited
Telesales Executive
Location: Mumbai
Job ID: 7189795
Description: Looking for graduates with prior collection experience into soft & recovery for international process; good communication skills.

Indiabulls
Sales Promotion Manager
Location: Gurgaon, Mumbai
Job ID: 7435992
Description: Duties involve: formulating sale strategy for real estate projects; responsible fo achieving team sales targets; maintain ke customer relationships, develop pricin policies.

Infomedia 18 Limited
Business Development Manager
Location: Bangalore, Kolkata
Job ID: 7435753
Description: Responsible for maintaining accurate sales forecasts and reports; prospecting, identifying and developing new customers; responsible for individual targets.

Dell
Key Accounts Manager
Location: Bangalore
Job ID: 7430046
Description: Aspirant must have 12+ year sales experience; 5+ years people managemen experience; exposure to selling enterpris prodcts; excellent communication & peopl management skills.

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WNS Global Services
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Location: Pune
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Description: Person will be responsible for development of R2R and S2C F&A process toolkits KPIS (O2C, R2R); develop database for transformational tools.

AXA Business Services Private Ltd
Associate-GPA
Location: Pune
Job ID: 7442303
Description: This position is responsible to reconcile assets and cash activity on AllianceBernstein portfolio management accounting systems with the assets and cash activity on client.

Oracle Financial Services Software Ltd
Executive- Accounts & Finance
Location: Gurgaon
Job ID: 7455429
Description: B.Com graduate must have knowledge of Tally; responsible for receipts, payments, journal entries, cash & bank voucher processing, bank reconcilation, verification of expenses.

Genpact India
Process Developer (Finance & Accounting)
Location: Jaipur
Job ID: 6792636
Description: Duties include: audit of loans/ lease documents, preparing of invoices and client statements, forecast palnnning, working on general accounts, manage access database.

Syntel Inc
Fresher
Location: Pune
Job ID: 7269045
Description: B.COM / BBA / M.COM freshers with AMFI / NCFM certifications; must have knowledge of capital markets, mutual funds, MS Excel; good communication skills.

IPsoft India Pvt Ltd
Accounts & Finance Manager
Location: Bangalore
Job ID: 7397053
Description: The candidate should lead the responsibility of entire finance and accounting function, taxation and MIS; must have excellent communication skills and be computer proficient.

Cummins India Limited
Manager-Finance
Location: Pune
Job ID: 7467139
Description: Functions: preparation of statement of accounts including monthly, qtrly, annual balance sheets, P& L , cash flow, etc. for CBS, division of CTIL and consolidation at CTIL gross level.

Tata Autocomp Systems Limited
Manager Finance
Location: Pune
Job ID: 7468687
Description: Key tasks: budget, MIS, corporate reporting, funding and non funding facilities, company secretarial assistance, finalization of accounts, liaison with auditors.

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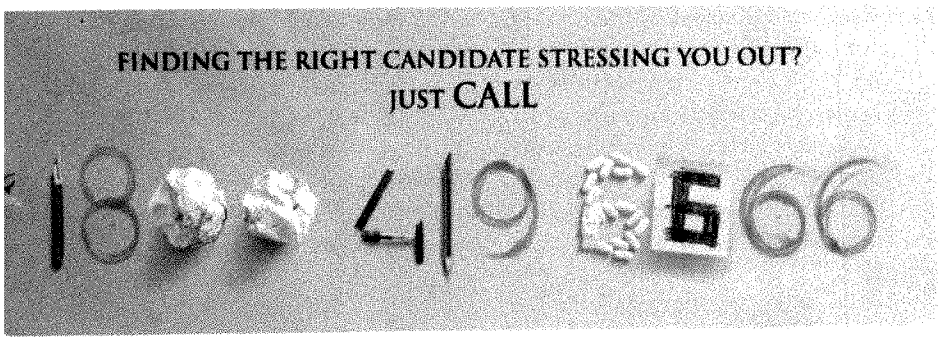

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Vijay Ghotia:
Double protection
for himself and child

Secure Your Child's Future

Child-savings plans now come with a great many benefits. But choose one that suits your specific objectives. CLIFFORD ALVARES

Prashant Bharat Khakkar, a 31-year-old automotive-spare-parts dealer based in Mumbai, bought LIC*'s children's plans Jeevan Kishore and Komal Jeevan for his son aged five-and-a-half about four years ago at an annual premium of Rs 36,000 and Rs 27,000, respectively.*

Twenty-six-year-old Vijay Ghotia, who runs a frozen-goods-transportation business in Mumbai, took Aegon Religare's Star Child Plan for his son aged one for an annual premium of Rs 25,000 six months ago. He has taken a basic policy.

Hemal Shah, a 45-year-old chartered accountant in Mumbai, did not buy the first plan he was offered by his insurance agent. Instead, he spent considerable time comparing the various children's plans and in the end decided on Aegon Religare's Star Child Plan, in which he has invested Rs 2.5 lakh each for his two children.

Khakkar, Ghotia and Shah have done the smart thing by investing for their child's future but they have done so with different objectives in their minds. "I wanted to give my child a regular cash-flow when he grows up so he can pursue his career," says Khakkar, who reckons that a money-back policy with guaranteed additions will best meet his child's requirements when he turns 18 and is ready to enter

NISHIKANT GAMRE/www.indiatodayimages.com

4 WAYS TO CHOOSE A CHILD PLAN

1. Don't load up on life cover or additional riders if you already have a term plan or insurance that covers your life.
2. Mortality charges increase when you are older and reduces corpus building power. So, start with child plans when young.
3. Avoid paying a high mortality charge to increase your cover in case you are older as it will reduce the corpus-building power.
4. Don't make withdrawals in the middle of the plan as this will increase your overheads and charges.

college. He opted for the Komal Jeevan policy as it will give his son a fixed sum of money every second year from age 18 to 26. The Jeevan Kishore policy, on the other hand, is an endowment assurance plan that will give him a lump sum, including the bonuses on maturity, which he can use, for instance, to invest in a house or in any other manner he may want to.

Ghotia's reasons are different from Khakkar's. He wanted to increase his life cover while securing his son's future. "Anything can happen in life, which is why I bought my first investment protection plan for my child," he says. With Aegon Religare's Star Child Plan, a unit-linked insurance policy, he is assured of not only a lump sum in case of his death but also the waiver of the remaining premiums.

Ghotia's concerns are quite valid, as we all know how any eventuality in the family, particularly if it involves the breadwinner, can wreck the finances of a household. During such crises, families usually dip into their savings to tide over the crisis. At times, some parents are forced to dig into the savings of their children to overcome a crisis. This derails the plans of building a substantial corpus for your child. For example, if you invest Rs 1 lakh every year that returns 10 per cent per annum, your child's corpus should amount to Rs 35 lakh. But if you withdraw Rs 2.5 lakh in the fourth year for an emergency, the corpus shrinks by about Rs 8 lakh. Even small withdrawals can set you back by a significant amount over time as it reduces the benefits of compounding. This is where an investment attached with life protection offered by insurance companies works in your favour.

While parents may invest for their children with specific goals in mind, they should ideally begin by setting a target amount as a corpus depending on whether it is for the children's education or marriage and then set their investment goals. Setting a goal-based plan is better as it pushes parents to save more. In India, the biggest drivers for savings are children. A survey by Aviva Life Insurance has found that 67 per cent of parents save for their children, compared to 54 per cent in retirement savings and 48 per cent in protection products. Says Vishal Gupta, Director, Marketing, Aviva Life Insurance: "Children's education is the biggest driver for savings within children and the scope of education itself is expanding to include other courses a child might want to pursue."

Once you have a target amount in mind, you can choose from the various plans available. Basically, these are of two kinds: money-back, which essentially provides fixed returns and the insurance beneficiary is the child; unit-linked plans that provide market-based returns with protection for the parent in case the worst happens. Both have their relative merits. If you essentially want a fix on what your child will get, then the fixed return plan should suit your purpose. Plans like Komal Jeevan essentially provide guaranteed additions at the rate of Rs 75 per thousand and are paid out when the child attains 18 years of age. The net returns could be low as the cost of insurance and other charges are high. Besides, these products invest in fixed-income instruments, but bonuses paid out of the profits should

ensure that you eventually make a decent enough return on maturity.

What should work for most individuals is the unit-linked insurance plans offered by life insurers, as they are more flexible compared to the money-back plans. These offer a general cover on life that comes with the most basic plan. What makes these plans flexible are the additional riders like the waiver of premium benefit on death, which waives off all future premiums in case the worst happens. Says Rajiv Jhamkhedkar, CEO, Aegon Religare Life Insurance: "Children's plans come with protection for the parent and help build a corpus. These plans are becoming popular with a lot of young parents these days."

Other riders that parents can opt for include the critical-illness rider or the accident rider that provides for the accident losses. But these additional riders jack up the premium cost. To build a corpus over the long haul for your child, insurance expenses should be kept to a minimum. Hence, avoid taking many riders unless very necessary. Says Andrew Cartwright, Executive Vice President, Kotak Life Insurance: "If you are insuring the breadwinner of the family, it's very important to have life cover. But if you are comfortable and have a fair amount of insurance cover for the breadwinner, then you should be out of the cover period soon so the corpus can be built for your child."

So, you must keep an eye out for expenses when choosing a plan. The cost factor was the major reason why Shah chose Aegon Religare's Star Child Plan over other children's plans. "I was looking for a plan that was low on costs and that would increase the overall value of the portfolio," says Shah, who wanted to get the best out of the child plan through aggressive equity investments.

Unit-linked child plans have four different kinds of expense. There is the premium allocation charge (PAC) that keeps your policy going and pays much of the commissions of the insurance agent. It's much like an entry load in a mutual fund. Make sure to check that these charges are low at around 20-25 per cent in the first year, and around 1.5 per cent from the second year onwards. Other expenses include an administration charge that rises every year with inflation, fund management charges that account for about 1.25 per cent for managing an aggressive equity plan, and other charges towards additional overheads. The unit-linked plans also include mortality charges towards life cover, which is charged separately.

Says Suresh Sadagopan, Certified Financial Planner, Ladder 7 Financial Advisories: "Insurance plans should ideally cover the parent with the child as beneficiary. But if you have a good term cover, unit-linked child plans with an income benefit rider can be a better option."

It is always better to take the insurance cover when you are young, as Khakkar and Ghotia have done, since the mortality charges increase with age. So, if you take a cover for your child when you are 50, then the high life cover negates your intention of building a corpus for your child. Also, avoid taking riders if you already have sufficient cover for yourself. This will help keep the costs of insurance sufficiently low, and achieve your dream of insuring your child's future with a tidy corpus. If you haven't begun investing for your children yet, you could get cracking with it this Diwali. ⊙

COMMENTS & FEEDBACK AT
btfeedback@intoday.com

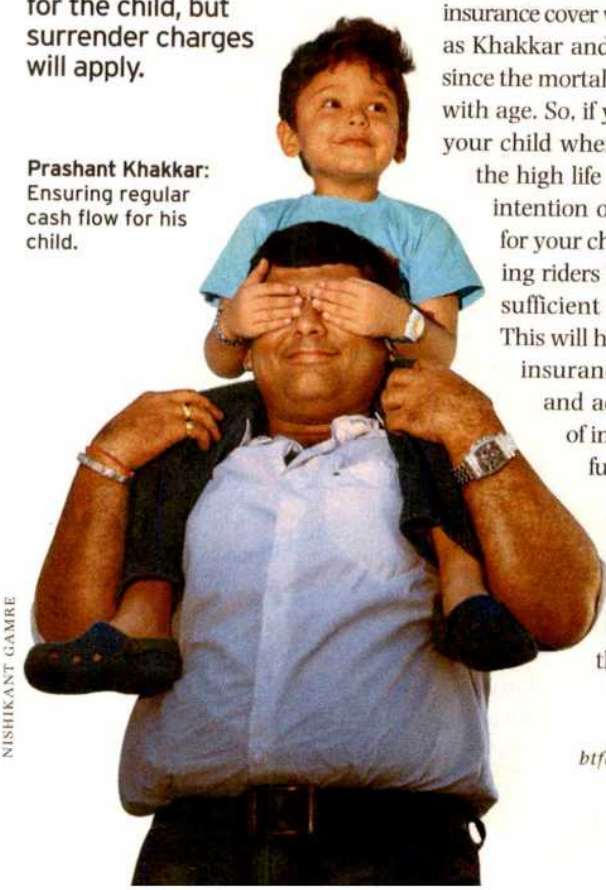
ENDOWMENT VS. ULIP

INSURANCE PLANS

- The maturity payments are made at pre-determined intervals.
- The benefits of the policy are for the child and not to the parents.
- Eventual beneficiary gets the targeted amount.
- These products provide assured returns.

UNIT-LINKED PLANS

- Investments can be channelled into high-growth areas like equities.
- The mortality or life insurance charges on the product are charged separately for individuals, apart from all expenses.
- Parents can withdraw the money as and when required for the child, but surrender charges will apply.

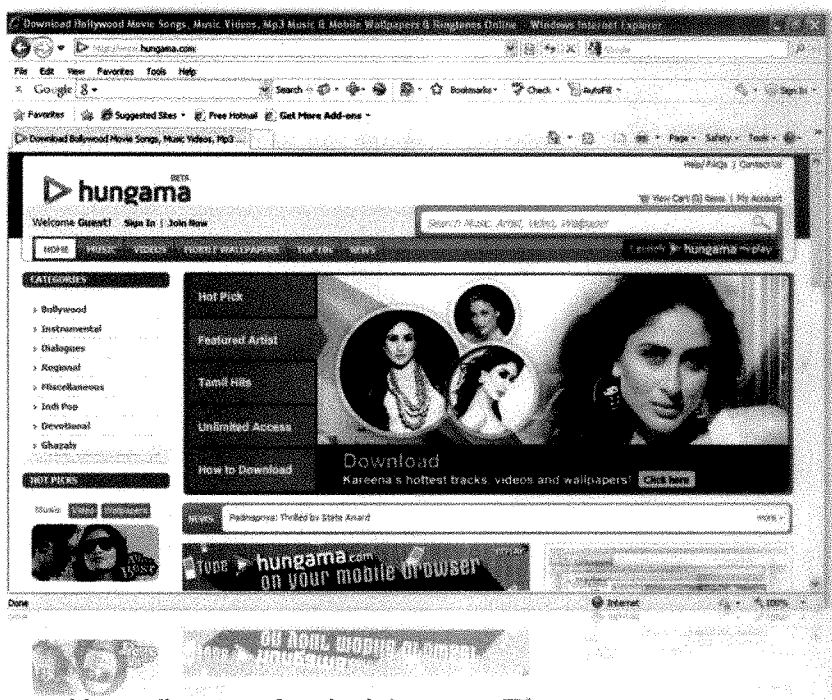


Prashant Khakkar: Ensuring regular cash flow for his child.

NISHIKANT GAMRE

India's iTunes

Hungama.com reinvents itself as an online music and video store, but will it work? KUSHAN MITRA



Back in the good old days of the Internet, when access cost a couple of arms and a leg and everyone used dial-up, Hungama.com was a quiz site that posted a question every hour and one could win prizes. Cut to October 2009: The portal has become an entertainment hub and is undergoing its most dramatic transformation yet. The all-new Hungama.com is trying to become an online music download hub. Over the past few years, Neeraj Roy and his team at Hungama have been busy acquiring the digital media rights to a lot of movies and music content. They even power the Yash Raj Films download service.

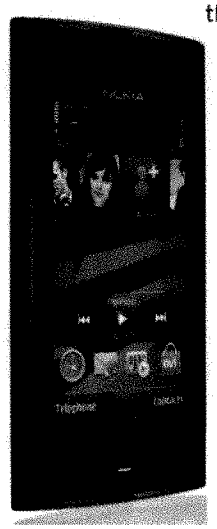
So, what's the plan? Hungama wants to make their collection of music available to web users, for a price. Here is how it will work: You first need to go to the site and register. Then choose a piece of content (a song, in Windows Media Audio format or a video in Windows Media Video format) and buy it. The complicated part is the pricing plan. Hungama will have three pricing plans. The first is a Rs 10 per download *a la carte* scheme. The second is a Rs 20 for four pieces of content. You will need Windows Media Player to play the content. Hungama promises that you own it (the content) and it never expires. But then there is a third pricing plan, the Rs 99 monthly eat-all-you-can-download plan. On the face of it, this one sounds great. The problem is that the content you download will be protected using Digital Rights Management (DRM).

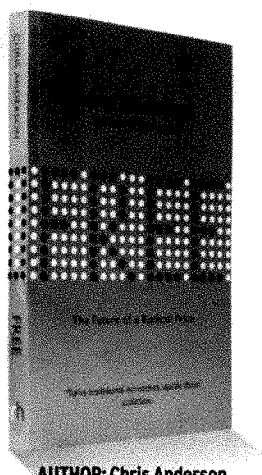
DRM is a dirty word in many people's books and, perhaps, for valid reasons. Once your monthly plan is over, Hungama automatically renews your plan by charging your credit card. If you suddenly choose to stop your subscription, though, your content will die as its licence is valid as long as you keep paying. However, if you're travelling and don't want to pay for that month but restart your subscription after a while, your music will come back to life again, even if you have sideloaded it onto another device. Or so Hungama claims.

As far as "quality" goes, both the audio and video are good, but could be better. Also, Hungama plans to launch full-movie downloads "in the future", but my experience says that if you want to make full use of this service, you better have broadband. There is also a mobile version and application, but unless you have an unlimited data plan, the charges will be prohibitive. ⊙

The Competition

Nokia Music is betting big on India and has launched the Nokia Music service on a limited number of devices where customers will have to buy "vouchers" to download content. A bigger launch is expected when Nokia introduces the **X3** and **X6** Music devices soon (the latter is the best Nokia touch screen device yet). The service is eventually going to work quite simply. The cost of the music service for a year with unlimited downloads will be bundled into your handset price. Downloading onto a PC directly and sideloading the content will also be easier and faster when 3G networks come along.





AUTHOR: Chris Anderson
PUBLISHER: Random House
PAGES: 274
PRICE: Rs 460

Money from Nothing

The digital era is decimating old businesses and inventing new ones, says Anderson, who expertly navigates us through the world of "free", but can't figure out the future. RAJIV RAO

Consider the world that you live in. Some of you probably wake up in the morning, check your free e-mail and read an online newspaper and cricket website for no cost. Using a popular free digital file delivery service, you send your mother two songs from Abida Parveen's latest album, which you illegally downloaded using a torrent software (also free), and then head for work.

The above scenario is a world that dominates editor-in-chief of *Wired* magazine, Chris Anderson's new book, *Free*, where he heralds an entirely new economic model that businesses have to contend with, namely an era of a radical price driven by a digital age. That price is zero, and it is turning economic models on their heads and revolutionising the way businesses are morphing, dying or being invented. Business leaders can ignore this development at their own peril. "Whether through cross-subsidies or software, somebody in your business is going to find a way to give away what you charge for," says Anderson.

The drive towards free "pricing" has old roots. Jell-O—made of powdered gelatin—was a product that was a resounding failure until the Genesee Pure Food decided to print thousands of free recipe books revolving around Jell-O and distribute it to American households. Two years later, the company hit a million dollars in sales. King Gillette was a frustrated inventor whose "eureka" moment was, in fact, his decision to sell razors at cheap bulk rates to banks who gave them away free to their customers. Almost overnight, practically everyone owned a razor, was hankering for a blade and the Gillette fortune was born.

The culprit for today's "free" is a world in which the price for computer processing, storage and bandwidth has plummeted almost to the point of zero. Anderson points out that in 1961, a single transistor was 10 dollars. By 1968, the price had dropped to one dollar. Today, it is approximately 0.000055 cents. This has had a devastating effect on some industries, specifically those that produce content. Several newspapers in the US have collapsed and pre-eminent ones like *The New York Times* are flopping about for survival as they try in vain to survive in an era of free newswires.

The music industry is in even an worse shape as sucking up digital content, like music files, from someone else's hard drive or website, has become a breeze. "In the digital realm you can try to keep 'free' at bay with laws and locks, but eventually the force of economic gravity will win," says Anderson. Savvy artists, like Radiohead and Wilco, have found a way out by being counterintuitive—distributing some albums for free, resulting in a big expansion of their audiences and jam-packed, money-spinning concerts. In the business world, companies like Google have built entire empires on "free" whereas others like Microsoft are being forced to adapt by "freeware" champions such as Linux.

While Anderson gives us an engaging, comprehensive account of "free", he stops short of providing concrete ways in which companies can devise new economic models in order to stave off extinction. Perhaps Anderson isn't all that interested in doing this. After all, he was accused by the editor of the *Virginia Quarterly Review*, amongst others, for plagiarising chunks of this book from the free online encyclopedia, Wikipedia, for which he apologised and cast blame on sloppy editing—whichever way you look at it, an emphatic underscoring of the thesis of his book and a sign of the times to come.⊙

"Whether through cross-subsidies or software, somebody in your business is going to find a way to give away what you charge for"

BOOKMARKS

The New Empire of Debt
By William Bonner and Addison Wiggin
Wiley
Pages: 356
Price: Rs 1,340

Financial writers Bonner and Wiggin give us a glimpse into the US's precarious economic and financial position today, which has been plagued by massive deficit spending and unbridled consumption.

A Fine Line
By Hartmut Esslinger
Jossey-Bass
Pages: 183
Price: Rs 1,438

Esslinger, having helped build the world's most famous brands such as Microsoft and Apple, shows how creative designs can be built into the framework of an organisation's competitive strategy.

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SHOULD YOU LAUNCH A **FIGHTER BRAND?**...page 62

INVITATION PRICE Rs 500

Harvard Business Review
SOUTH ASIA

www.hbrsasia.org October 2009

5 Traps of PERFORMANCE MEASUREMENT page 72

IMMELT ON
How GE Is Disrupting Itself

SPOTLIGHT ON RISK

MANAGING RISK in the New World
Five Experts Discuss the Future of Enterprise Risk Management

HBR TOOL
Mapping Your Fraud Risks

BLACK SWAN EVENTS How to Reduce the Impact
Nassim N. Taleb, Daniel G. Goldstein, and Mark W. Spitznagel

HOW VULNERABLE IS YOUR BUSINESS to Consumer Debt?

Making Financial Markets Safe
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DCP No.: F.2. (H-34) Press/2006

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Dozing at the Desk?

Help's at hand to beat those daytime blues. ANUMEHA CHATURVEDI

Confession time. At some point in our working lives, we've all suffered from classic cases of afternoon slumps and post-lunch dips. What is it about these pangs that simply steers us away from work? Researchers have for long emphasised the benefits of a good sound sleep and feel it is completely natural for humans to want to go back to sleep about seven hours after they have awakened. It is widely believed that the human mind can be wholly attentive for a period of only 35-40 minutes at best, after which it starts to wander and slacken. Robert Stickgold, an Assistant Professor of Psychiatry at Beth Israel Deaconess Medical Center in Boston, in a write-up in *Harvard Business Review*, even goes on to suggest that a few minutes of shut-eye at work could be good to combat the problem of lethargy. "Important memory processing occurs as you're falling asleep, and the brain appears to be tagging memories of unresolved problems for subsequent processing," he says. Even micronaps of six minutes—not including the time it takes to fall asleep, which is about five minutes if you are really tired—make a difference, according to Stickgold.

RAMEN SARKAR

"STICK TO RAW SALADS AND VEGETABLES AS THEY SUPPLY THE MUCH-NEEDED NUTRIENTS TO THE BRAIN"

Dr Rachna Khanna Singh, Lifestyle Expert and Psychological Counsellor, Artemis Health Institute, Delhi

While catching up on some much-needed sleep at home is all very well, pro-napping policies aren't usually the norm in most organisations, and at times, are not always feasible. "Such plans are good for BPOs and fields like media and medicine that require long working hours, but not for organisations that entail eight-hour shifts. This is because our bodies can be easily attuned to put in those many hours," says Dr Rachna Khanna Singh, Lifestyle Expert and Psychological Counsellor, Artemis Health Institute, Delhi. She attributes drowsiness to a host of stress-related factors and instead of quick naps, suggests regular-moderate breathing exercises that release positive hormones and act as great stress busters.

Diet plans and practices come next. Employees should stick to a designated time for all their meals and it would be a good idea to avoid fatty and fried stuff at the workplace. "Stick to raw salads and vegetables as they supply the much-needed nutrients to the brain. And that coffee will give you a temporary high, but the body is bound to feel sluggish eventually," she concludes. ⊙

Executive Health column will appear in every alternate issue

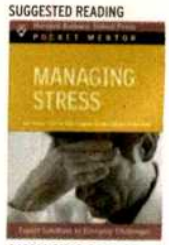
CAUGHT NAPPING?

- Nearly one-third of adults, working at least 30 hours a week, have fallen asleep or have felt drowsy while on the job, according to a poll in the US last year.
- A tired brain could lead to poor decision-making, low motivation levels and poor efficiency.
- If consistent, the problem could lead to a brain fag or a breakdown, resulting in absenteeism and depression.

REBOOT YOUR BRAIN

- 10 minutes of meditation and breathing exercises like *pranayams* could help in getting a headstart.
- Games like squash and table tennis are bound to release positive hormones, too.
- Avoid fried and fatty foods and give salads and raw veggies a try.

SUGGESTED READING



MANAGING STRESS
Harvard Business School Press

BiQ

Test Your Business I.Q.

Amol Patel from Bangalore *was the first to give us the correct answers to the quiz published in the issue dated October 4, 2009. So, as we promised, he wins a year's subscription to* BT.

E-mail us the right answers at *btfeedback@intoday.com* or log on to *www.businesstoday.in* to take the quiz online. Correct answers in the next issue of *BT*.

ANSWERS to the quiz in the last ISSUE, dated **OCT. 18.**

1 c. Parry's
2 c. Canara Bank
3 a. Form HSBC
4 a. Earl Grey
5 b. Winners on *Idol*
6 b. Martin Sorrell
7 a. Textile
8 b. Standard Oil
9 b. Asustek
10 b. LG

1 This best-selling 1984 book, written as a novel, was the first to propound a theory on how to control costs. The story revolves around a character named Alex Rogo. Identify the theory.

- ☐ a. Theory of Constraints (TOC)
- ☐ b. Kaizen
- ☐ c. Total Productive Maintenance (TPM)
- ☐ d. Paradox of Thrift

2 Tim Bouquet had this to say about the frugal lifestyle of the subject of his book, "(his) idea of a good time is to order Chinese takeaway from Zen Central in Mayfair in London." Who is referred to here?

- ☐ a. Warren Buffett
- ☐ b. Lakshmi Mittal
- ☐ c. Lord Swraj Paul
- ☐ d. Lord Raj Kumar Bagri

3 What is common to pills, porn and poker, the so-called 3 Ps?

- ☐ a. Top spenders on marketing
- ☐ b. Top users of spam advertising
- ☐ c. Illegal in 63 countries
- ☐ d. All can be had on the Internet

4 Which newspaper coined the famous phrase "all the news that's fit to print"?

- ☐ a. *The New York Times*
- ☐ b. *The Times*, London
- ☐ c. *The Washington Post*
- ☐ d. *New York Journal*

5 What misdemeanor led to Harry Stonecipher being ousted as CEO of Boeing in 2005?

- ☐ a. Fudging the accounts
- ☐ b. Mismanaging the retirement fund
- ☐ c. Giving himself a bonus
- ☐ d. Allegations of an affair with a female executive

6 Hungarian Wilhelm Fuchs emigrated to the US and created a chain of Nickelodeon theatres, which also produced the first newsreel with synchronous sound. He died a forgotten man. Name the enterprise.

- ☐ a. Columbia Pictures
- ☐ b. Fox Film Corporation
- ☐ c. MGM
- ☐ d. Paramount

7 In Singapore and in South-East Asia, what profession is denoted by the word "remiser"?

- ☐ a. A stockbroker
- ☐ b. Undertaker
- ☐ c. Florist
- ☐ d. Courier

8 Which Pfizer drug was the first pharma product to exceed sales of $10 billion?

- ☐ a. Viagra
- ☐ b. Lipitor
- ☐ c. Bextra
- ☐ d. Diflucan

9 Which automobile brand means "hark" or "listen" in Latin?

- ☐ a. Skoka
- ☐ b. Audi
- ☐ c. Golf
- ☐ d. Kia

10 Which company operates the URL *www.priceless.com*?

- ☐ a. Sotheby's
- ☐ b. Madame Tussauds
- ☐ c. Master Card
- ☐ d. VISA

ppp

People | Places | Products

JEH WADIA

On a High

Known for living his life in the fast lane and driving fast cars, **JEHANGIR (JEH) WADIA**, 36, is never shorn of limelight. This time around, though, the reasons are prickly and altogether different. Grapevine says his budget carrier GoAir is up for sale and that Madurai-based Paramount Airways has shown interest in acquiring Mumbai-based GoAir, promoted by the Wadia Group. Says MD Wadia: "We have no plans to sell stake to or merge with any carrier." On the contrary, he is adding 12 aircraft to the existing fleet of eight, he says. Wadia would rather talk about GoAir's recent accolades from the Directorate General of Civil Aviation (DGCA) for being the most reliable among airlines. As per DGCA's status report on cancellation data of scheduled domestic airlines in August 2009, GoAir had zero cancellations as compared to Kingfisher's 2 per cent and Spice Jet's 1.1 per cent. On the market share front, the DGCA report suggests that for the last two quarters, GoAir has had the highest market share per aircraft in the industry at 0.79 per cent. Little wonder then Wadia claims to be getting an assortment of proposals for investment in his airline.

DEEPAK G. PAWAR/www.indiatodayimages.com

VINITA BALI

Cookies and Textiles

After helping foods giant Britannia Industries reverse market share losses to newcomers such as ITC Foods and reignite growth across categories, **VINITA BALI**, the 53-year-old Managing Director of the Bangalore-based firm, is now set for a larger role within the Wadia group. Even as she steers Britannia's fortunes in a tough market—with growth rates halving due to a global slowdown—the classical music fan has been given a wider strategic role for the conglomerate's textile business, Bombay Dyeing. Bali, a former Senior Executive with beverages giant Coca-Cola, was appointed to the Board of the textiles maker in May this year, but has become hands-on in the new role only recently. "My focus is on the strategy of the textile business," she says. Bali will have her hands full turning around the 130-year-old textiles major, which has struggled to stay competitive in the cut-throat branded apparel market despite being a leader in home textiles.

PRODUCT

Sony W-Series Walkman

The Walkman certainly isn't dead; it has just been comatose after being pummelled by the iPod. Sony is hoping to get some of its mojo back with the W-Series. You cannot argue with the cool factor and the quality of the fit and finish are fabulous. The ear pieces pivot when you turn your head and Sony also loses the irritating Sonic Stage computer interface. It is just that at **Rs 4,990** for two gigabyte of storage, it is quite expensive. More so, since a similar capacity iPod Shuffle costs **Rs 3,700**. But then again, a Walkman is different from an iPod and sometimes that alone is a good reason to buy a product.

PLACE

Rio de Janeiro

Rio de Janeiro, which means River of January, will host both the 2014 Football World Cup and the 2016 Summer Olympics. If that's not reason enough to head to Brazil's second-largest city, then surely its legendary golden beaches and the famous Rio Carnival every February will lure you to this Samba town. Do check out the giant statue of **Christ Redeemer,** the symbol of the city and one of the New Seven Wonders of the World. Then there is Tijuca Forest, the largest urban forests in the world. If you love a ride in the sky, take the **Sugar Loaf** cable car. This 97-year-old ride is the third-oldest in the world. Of course, what's a trip to Rio without a visit to the Copacabana beach!

CONTRIBUTED BY ANUSHA SUBRAMANIAN, RAHUL SACHITANAND, KUSHAN MITRA, DHIMAN CHATTOPADHYAY & VIRENDRA VERMA

RAKESH JHUNJHUNWALA

Equity Titan Times the Market

RAKESH JHUNJHUNWALA has been a role model for millions of stock market investors in India, but now, he has a brand to recommend to his fans and followers. The brand is "Titan Nebula" watches, the luxury brand from the listed firm Titan Industries. Jhunjhunwala will endorse the brand as he has been wearing the Nebula watch for the last seven years. "I believe in the product and the company," says the 49-year-old value investor, who owns an 8.04 per cent stake in Titan Industries and has been an investor in the company since 2002. From being a stock market investor, Jhunjhunwala has already turned into a private equity investor with his investment in companies like Tops Security, Hungama Mobile. His new stint is a first for any financial sector doyen in India. His advice currently is to stay away from the market as the bull run will go bust in the next couple of months. Having known for his good timing in the stock market for making money, can he turn the "Titan Nebula" brand into a money spinner for the company? We will keep a watch.

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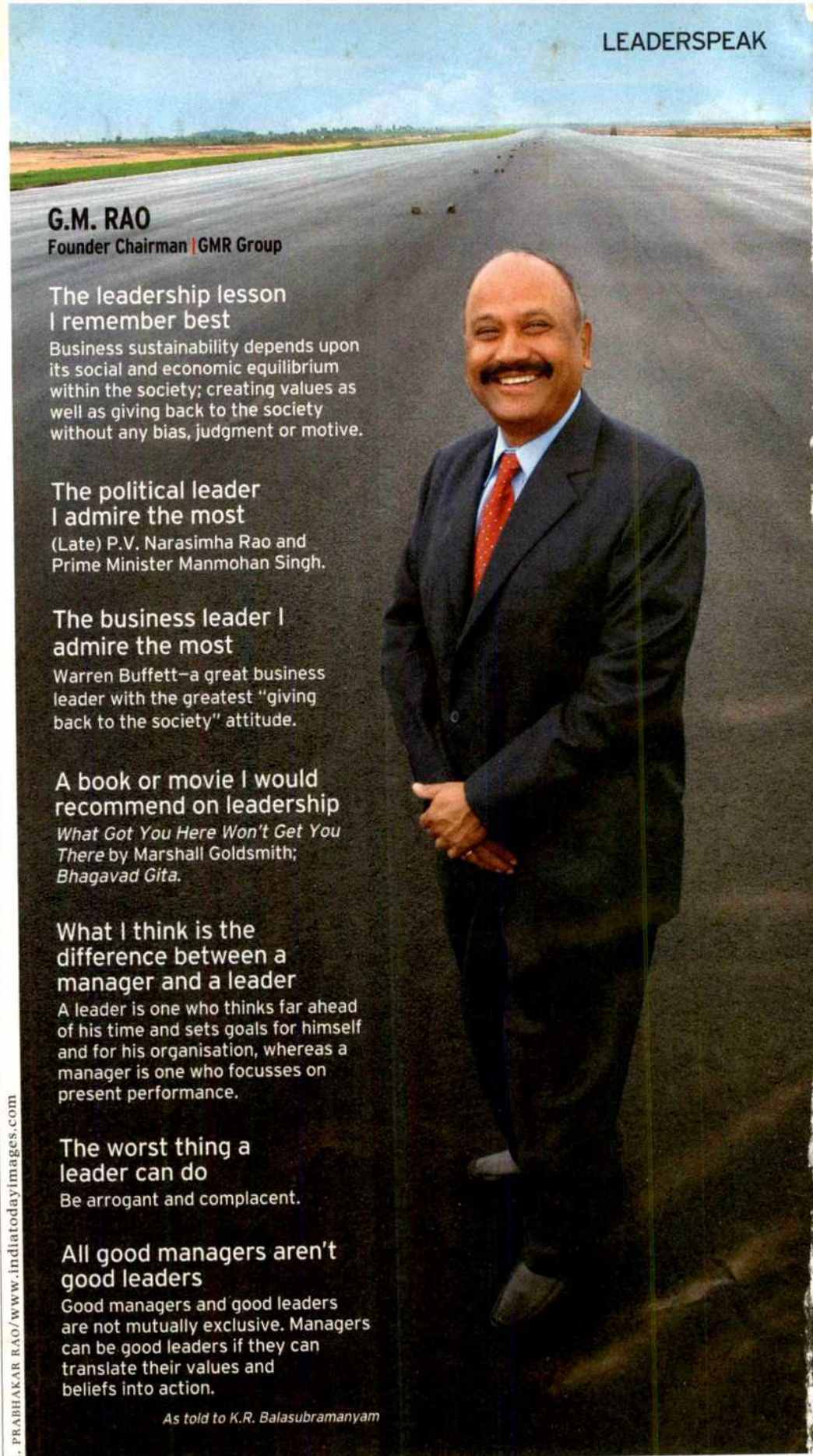

A. PRABHAKAR RAO/www.indiatodayimages.com

G.M. RAO

Founder Chairman | GMR Group

The leadership lesson I remember best

Business sustainability depends upon its social and economic equilibrium within the society; creating values as well as giving back to the society without any bias, judgment or motive.

The political leader I admire the most

(Late) P.V. Narasimha Rao and Prime Minister Manmohan Singh.

The business leader I admire the most

Warren Buffett—a great business leader with the greatest "giving back to the society" attitude.

A book or movie I would recommend on leadership

What Got You Here Won't Get You There by Marshall Goldsmith; *Bhagavad Gita.*

What I think is the difference between a manager and a leader

A leader is one who thinks far ahead of his time and sets goals for himself and for his organisation, whereas a manager is one who focusses on present performance.

The worst thing a leader can do

Be arrogant and complacent.

All good managers aren't good leaders

Good managers and good leaders are not mutually exclusive. Managers can be good leaders if they can translate their values and beliefs into action.

As told to K.R. Balasubramanyam

Vol. 18, No. 22, for the fortnight October 19-November 1, 2009. Released on October 19, 2009.

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